

# Financial Report 2017

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<sup>a</sup> These sections are an integral part of the Report by the Board of Directors, and comprise the information as required by the Belgian Company Code for the annual consolidated financial statements.

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<sup>a</sup> These sections are an integral part of the Report by the Board of Directors, and comprise the information as required by the Belgian Company Code for the annual consolidated financial statements.

# I. Consolidated financial statements

The consolidated financial statements have been authorised for issue by the Board of Directors on 23 February 2018.

## I.1. Consolidated income statement

in thousand EUR			
Group Recticel	NOTES*	2017	2016
<b>Sales</b>	<b>II.3.</b>	<b>1 135 353</b>	<b>1 048 323</b>
Distribution costs		(61 952)	(57 855)
Cost of sales		(889 866)	(789 360)
<b>Gross profit<sup>1</sup></b>		<b>183 535</b>	<b>201 108</b>
General and administrative expenses	II.4.1.	(78 426)	(79 395)
Sales and marketing expenses	II.4.1.	(69 537)	(72 031)
Research and development expenses		(13 724)	(12 890)
Impairments of intangible and tangible assets	II.3.1.	(7 009)	(1 672)
<i>Other operating revenues<sup>(1)</sup></i>		55 976	6 907
<i>Other operating expenses<sup>(2)</sup></i>		(28 344)	(19 735)
Total other operating revenues/(expenses) <sup>(1) + (2)</sup>	II.4.2.	27 632	(12 828)
Income from joint ventures and associates	II.5.5.	2 390	16 927
<b>EBIT</b>	<b>II.4.3.</b>	<b>44 861</b>	<b>39 219</b>
Interest income		615	689
Interest expenses		(7 075)	(8 784)
Other financial income		12 585	7 116
Other financial expenses		(10 867)	(10 749)
<b>Financial result</b>	<b>II.4.4.</b>	<b>(4 742)</b>	<b>(11 728)</b>
<b>Result of the period before taxes</b>		<b>40 119</b>	<b>27 491</b>
Current income taxes	II.4.5.	(5 986)	(3 539)
Deferred taxes	II.4.5.	(10 220)	(7 622)
<b>Result of the period after taxes</b>		<b>23 913</b>	<b>16 330</b>
of which non-controlling interests		0	0
of which share of the Group		23 913	16 330

<sup>1</sup> The gross profit 2017 includes EUR -30.0 million non-recurring costs from additional expenses incurred due to alternative production solutions and operational inefficiencies following the fire incident in the Most-plant (Automotive Interiors - Czech Republic).

\* The accompanying notes are an integral part of this income statement.

## I.2. Earnings per share

in EUR			
Group Recticel	NOTES*	2017	2016
Basic earnings per share	II.4.7.	0,44	0,31
Diluted earnings per share	II.4.8.	0,43	0,30

### I.3. Consolidated statement of comprehensive income

		in thousand EUR	
Group Recticel		2017	2016
<b>Result for the period after taxes</b>		<b>23 913</b>	<b>16 330</b>
<b>Other comprehensive income</b>			
<b>Items that will not subsequently be recycled to profit and loss</b>			
Actuarial gains and losses on employee benefits		(4 082)	(7 971)
Deferred taxes on actuarial gains and losses on employee benefits		(738)	2 656
Currency translation differences		291	886
Joint ventures and associates		(383)	296
<b>Total</b>		<b>(4 912)</b>	<b>(4 133)</b>
<b>Items that subsequently may be recycled to profit and loss</b>			
Hedging reserves		2 212	1 857
Currency translation differences		(6 509)	(5 057)
Foreign currency translation reserve difference recycled in the income statement		0	(332)
Deferred taxes on interest hedging reserves		(781)	(631)
Deferred taxes on retained earnings		1 225	0
Joint ventures and associates		1 154	355
<b>Total</b>		<b>(2 699)</b>	<b>(3 808)</b>
<b>Other comprehensive income net of tax</b>		<b>(7 611)</b>	<b>(7 941)</b>
<b>Total comprehensive income for the period</b>		<b>16 302</b>	<b>8 389</b>
<b>Total comprehensive income for the period</b>		<b>16 302</b>	<b>8 389</b>
of which attributable to non-controlling interests		0	0
of which attributable to the owners of the parent		16 302	8 389

For more details of other comprehensive income from Interests in Joint Ventures and Associates, see II.5.5.

## I.4. Consolidated balance sheet

in thousand EUR			
Group Recticel	NOTES *	31 DEC 2017	31 DEC 2016
Intangible assets	II.5.1.	12 323	12 104
Goodwill		24 169	25 073
Property, plant & equipment	II.5.2. & II.5.3.	226 783	216 207
Investment property		3 331	3 331
Interests in joint ventures and associates	II.5.4. & II.5.5.	76 241	82 389
Other financial investments		64	71
Available for sale investments		603	410
Non-current receivables	II.5.6.	14 804	13 860
Deferred taxes	II.4.5.	26 241	37 820
<b>Non-current assets</b>		<b>384 559</b>	<b>391 265</b>
Inventories and contracts in progress	II.5.7. & II.5.8.	99 408	91 900
Trade receivables	II.5.9.	110 935	101 506
Other receivables	II.5.9.	73 373	69 561
Income tax receivables		1 350	1 441
Other investments		123	107
Cash and cash equivalents	II.5.10.	57 844	37 174
Assets held for sale	II.5.11.	2 570	0
<b>Current assets</b>		<b>345 603</b>	<b>301 689</b>
<b>TOTAL ASSETS</b>		<b>730 162</b>	<b>692 954</b>

\* The accompanying notes are an integral part of this balance sheet.

in thousand EUR			
Group Recticel	NOTES *	31 DEC 2017	31 DEC 2016
Share capital	II.5.12.	136 941	135 156
Share premium account	II.5.13.	127 982	126 071
<b>Share capital</b>		<b>264 923</b>	<b>261 227</b>
Treasury shares		(1 450)	(1 450)
Other reserves		(22 633)	(17 430)
Retained earnings		40 868	24 855
Hedging and translation reserves		(19 922)	(15 997)
<b>Equity - share of the Group</b>		<b>261 786</b>	<b>251 205</b>
Non-controlling interests		0	0
<b>Total equity</b>		<b>261 786</b>	<b>251 205</b>
Pensions and similar obligations	II.5.14.	54 295	50 979
Provisions	II.5.15.	14 266	13 208
Deferred taxes	II.4.5.	9 113	10 116
<i>Financial leases</i>	II.5.16 & II.5.17.	18 078	8 683
<i>Bank loans</i>	II.5.16.	76 160	86 589
<i>Other loans</i>		1 842	1 777
Interest-bearing borrowings	II.5.16.	96 080	97 049
Other amounts payable		230	183
<b>Non-current liabilities <sup>(1)</sup></b>		<b>173 984</b>	<b>171 535</b>
Pensions and similar obligations	II.5.14.	3 978	4 168
Provisions	II.5.15.	1 155	1 780
<i>Bonds and notes</i>		0	27 269
<i>Other loans</i>	II.5.16.	48 988	22 878
Interest-bearing borrowings	II.5.16.	48 988	50 147
Trade payables	II.5.19.	126 584	102 929
Income tax payables		2 411	2 291
Other amounts payable	II.5.19.	111 276	108 899
<b>Current liabilities <sup>(2)</sup></b>		<b>294 392</b>	<b>270 214</b>
<b>Total liabilities <sup>(1)+(2)</sup></b>		<b>468 376</b>	<b>441 749</b>
<b>TOTAL LIABILITIES + TOTAL EQUITY</b>		<b>730 162</b>	<b>692 954</b>

\* The accompanying notes are an integral part of this balance sheet.

## I.5. Consolidated cash flow statement

in thousand EUR

Group Recticel	NOTES *	2017	2016
<b>EARNINGS BEFORE INTEREST AND TAXES (EBIT)</b>	II.4.3.	<b>44 861</b>	<b>39 219</b>
Amortisation of intangible assets	II.5.1.	2 785	2 896
Depreciation of tangible assets	II.5.2.	26 578	27 582
Amortisation of deferred long term and upfront payment	II.4.3.	1 569	1 338
Impairment losses on intangible assets		0	700
Impairment losses on tangible assets	II.5.2.	7 009	972
Write-offs/(write-backs) on assets		6 489	(1 557)
Changes in provisions		(484)	(3 577)
(Gains) / Losses on disposals of assets		(853)	292
Income from joint ventures and associates		(2 390)	(16 927)
<b>GROSS OPERATING CASH FLOW BEFORE WORKING CAPITAL MOVEMENTS</b>		<b>85 563</b>	<b>50 938</b>
<i>Inventories</i>		(11 827)	137
<i>Trade receivables</i>		(3 921)	(20 704)
<i>Other receivables</i>		(9 601)	(5 799)
<i>Trade payables</i>		14 892	8 122
<i>Other payables</i>		7 514	19 224
<b>Changes in working capital</b>		<b>(2 943)</b>	<b>980</b>
<i>Trade and other long term debts and debt maturing &lt;1 year</i>		(5)	(6 915)
<i>Tax credit non-current receivables</i>		(1 293)	0
Income taxes paid		(5 749)	(2 539)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES <sup>(a)</sup></b>		<b>75 573</b>	<b>42 465</b>
Interests received		1 026	1 052
Dividends received		8 800	7 350
Increase of loans and receivables		(501)	(11 096)
Decrease of loans and receivables		1 203	2 751
Investments in intangible assets	II.5.1.	(3 124)	(3 060)
Investments in property, plant and equipment	II.5.3.	(61 061)	(40 552)
Investment in associates		0	(1 513)
Disposals of intangible assets	II.5.1.	107	95
Disposals of property, plant and equipment	II.5.3.	12 746	7 506
Disposals of investments in joint ventures		0	503
(Increase) / Decrease of investments available for sale		(16)	(16)
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES <sup>(b)</sup></b>		<b>(40 820)</b>	<b>(36 980)</b>
Interests paid on financial debt <sup>(1)</sup>		(6 913)	(7 225)
Interests paid on lease debt <sup>(1)</sup>		(179)	(334)
Dividends paid		(9 683)	(7 492)
Increase of capital		3 695	1 210
Increase of financial debt		34 372	85 326
Increase of lease debt		9 524	506
Decrease of financial debt		(44 108)	(90 932)
Decrease of lease debt		(2 079)	(3 236)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES <sup>(c)</sup></b>		<b>(15 369)</b>	<b>(22 176)</b>
Effect of exchange rate changes <sup>(d)</sup>		1 280	(2 101)
Effect of changes in scope of consolidation and of foreign currency translation reserves recycled <sup>(e)</sup>		5	0
<b>CHANGES IN CASH AND CASH EQUIVALENTS <sup>(a)+(b)+(c)+(d)+(e)</sup></b>		<b>20 669</b>	<b>(18 792)</b>
Net cash position opening balance		37 174	55 967
Net cash position closing balance		57 844	37 174
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>20 669</b>	<b>(18 792)</b>
<b>NET FREE CASH FLOW <sup>(a)+(b)+(f)</sup></b>		<b>27 662</b>	<b>(2 074)</b>

For the investment/disposal activities, only the cash payment and cash receipts have been reported as stipulated under IAS 7.

\* The accompanying notes are an integral part of this cash flow statement.

## Notes to the consolidated cash flow statement

The **gross operating cash flow before working capital movements** increased from EUR 50.9 million to EUR 85.6 million, or +68.0% compared to 2016. The variance of EUR 34.6 million is primarily the result of:

- (i) EUR 5.6 million higher EBIT, explained by:
  - a combination of higher sales prices, positive product/market-mix and operational efficiency
  - a higher impact from net non-recurring elements (EUR -18.4 million compared to EUR -13.9 in 2016)
- (ii) higher corrective non-cash items of EUR 29.0 million, of which:
  - EUR -4.5 million for depreciation, amortization and impairments
  - EUR +14.5 million relating to the lower contribution from joint ventures and associates (EUR 2.4 million versus EUR 16.9 million in 2016)
  - EUR +3.1 million net for provisions for pensions, restructurings, environmental risks and civil claims.
  - EUR +8.0 million for write-offs (of which EUR 5.4 million on assets of the Interiors plant in Most, Czech Republic that were destroyed by the fire incident)
  - EUR -1.1 million fair value gains and losses on disposal of assets

The **net cash flow from operating activities** increased by EUR +33.1 million from EUR +42.5 million to EUR 75.6 million; after deduction of higher net working capital needs (EUR -2.9 million) - following the higher activity levels and increased raw material prices -, and taxes elements (EUR -7.0 million)

The main variance in working capital elements are:

- (i) EUR -11.8 million from higher inventories as a result of higher raw material prices
- (ii) EUR -3.9 million from higher trade receivables, particularly in Automotive Interiors due to the business expansion in China, mitigated by a higher utilisation of factoring programs
- (iii) EUR -9.6 million from higher other receivables
- (iv) EUR +14.9 million from higher trade payables
- (v) EUR +7.5 million from higher other payables

In addition, the net cash flow from operating activities was impacted by:

- (i) EUR -1.3 million from long term tax credits
- (ii) EUR -5.7 million income taxes paid.

The **net cash flow from investment activities** increased from EUR -37.0 million to EUR -40.8 million.

The increase mainly results from EUR 20.6 million higher net cash outlays for investments in intangible assets (EUR -3.1 million) and property, plant & equipment (EUR -61.1 million) compared to previous year. The increase in capital expenditures relates mainly to the investments in the Interiors plant in Most (Czech Republic) after the fire incident, the finalisation of the investment programs in Automotive Interiors (i.e. China) and the lease back (EUR -9.3 million) of the expansion of the Insulation plant in Wevelgem (Belgium).

EUR +12.7 million has been generated from the disposal of property, plant & equipment (EUR +7.5 million in 2016). The disposals relate mainly to (i) the sale & lease back transaction of the Insulation plant in Belgium (EUR +8.8 million) and (ii) the sale of equipment in Automotive Interiors in China (EUR +3.1 million).

Other loans & receivables decreased by EUR 0.7 million (EUR -8.3 million in 2016) and relate mainly to short-term and long-term loans to affiliates.

The **cash flow from financing activities** decreased from EUR -22.2 million to EUR -15.4 million. It includes:

- interest payments on financial and lease debt, which slightly decreased from EUR -7.6 million to EUR -7.1 million
- dividends paid (EUR -9.7 million versus EUR -7.5 million in 2016)
- a share capital increase by EUR +3.7 million following the exercise of warrants
- a net decrease of EUR -2.3 million in gross financial and lease debt.

At year-end the 'cash and cash equivalents' position amounted to EUR +57.8 million, an increase of EUR +20.7 million compared to end-2016.

The **net free cash flow** resulting from (i) the net cash flow from operating activities (EUR +75.6 million) (ii) the net cash flow from investment activities (EUR -40.8 million) and (iii) the interest paid on financial and lease debt (EUR -7.1 million), amounts to EUR +27.7 million, compared to EUR -2.1 million in 2016.

## Changes in liabilities arising from financing activities

in thousand EUR

Group Recticel	31 DEC 2016	CASH FLOWS	NON-CASH CHANGES						31 DEC 2017
			INTERESTS ACCRUED	FAIR VALUE OF HEDGING INSTRUMENTS	COST OF DEBT		TRANSFER	FOREIGN EXCHANGE MOVEMENTS	
					ACTUALISATION	AMORTISATION OF ARRANGEMENT FEES			
Long term borrowings	88 366	(10 907)	0	0	0	279	264	0	78 002
Short term borrowings	39 647	1 172	11	0	331	0	10	3 367	44 538
Lease liabilities	12 335	7 445	0	0	23	0	52	0	19 855
Accrued interest liabilities	6 848	(7 092)	6 403	(2 212)	0	0	(49)	(1 225)	2 673
<b>Total liabilities from financing activities</b>	<b>147 196</b>	<b>(9 382)</b>	<b>6 414</b>	<b>(2 212)</b>	<b>354</b>	<b>279</b>	<b>277</b>	<b>2 142</b>	<b>145 068</b>

## I.6. Statement of changes in shareholders' equity

For the year ending 2017

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES RESERVES	HEDGING RESERVES	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY, NON-CONTROLLING INTERESTS INCLUDED
<b>At the end of the preceding period (31 December 2016)</b>	<b>135 156</b>	<b>126 071</b>	<b>(1 450)</b>	<b>(17 430)</b>	<b>24 855</b>	<b>(11 043)</b>	<b>(4 954)</b>	<b>251 205</b>	<b>0</b>	<b>251 205</b>
Dividends	0	0	0	0	(9 679)	0	0	(9 679)	0	(9 679)
Stock options (IFRS 2)	0	0	0	263	0	0	0	263	0	263
Capital movements <sup>(1)</sup>	1 785	1 911	0	(554)	554	0	0	3 696	0	3 696
<b>Shareholders' movements</b>	<b>1 785</b>	<b>1 911</b>	<b>0</b>	<b>(291)</b>	<b>(9 125)</b>	<b>0</b>	<b>0</b>	<b>(5 720)</b>	<b>0</b>	<b>(5 720)</b>
<b>Profit or loss of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23 913</b>	<b>0</b>	<b>0</b>	<b>23 913</b>	<b>0</b>	<b>23 913</b>
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4 912)</b>	<b>1 225</b>	<b>(5 356)</b>	<b>1 431</b>	<b>(7 612)</b>	<b>0</b>	<b>(7 612)</b>
<b>At the end of the current period (31 December 2017)</b>	<b>136 941</b>	<b>127 982</b>	<b>(1 450)</b>	<b>(22 633)</b>	<b>40 868</b>	<b>(16 399)</b>	<b>(3 523)</b>	<b>261 786</b>	<b>0</b>	<b>261 786</b>

<sup>(1)</sup> see notes II.5.12. and II.5.13.

For the year ending 2016

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES RESERVES	HEDGING RESERVES	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY, NON-CONTROLLING INTERESTS INCLUDED
<b>At the end of the preceding period (31 December 2015)</b>	<b>134 329</b>	<b>125 688</b>	<b>(1 450)</b>	<b>(12 324)</b>	<b>14 906</b>	<b>(5 986)</b>	<b>(6 203)</b>	<b>248 960</b>	<b>0</b>	<b>248 960</b>
Dividends	0	0	0	0	(7 522)	0	0	(7 522)	0	(7 522)
Stock options (IFRS 2)	0	0	0	(430)	598	0	0	168	0	168
Capital movements <sup>(1)</sup>	827	383	0	(146)	146	0	0	1 210	0	1 210
Reclassification	0	0	0	(396)	396	0	0	0	0	0
Income tax relating to components of shareholders' movements	0	0	0	0	0	0	0	0	0	0
<b>Shareholders' movements</b>	<b>827</b>	<b>383</b>	<b>0</b>	<b>(972)</b>	<b>(6 382)</b>	<b>0</b>	<b>0</b>	<b>(6 144)</b>	<b>0</b>	<b>(6 144)</b>
<b>Profit or loss of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16 330</b>	<b>0</b>	<b>0</b>	<b>16 330</b>	<b>0</b>	<b>16 330</b>
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4 134)</b>	<b>1</b>	<b>(5 057)</b>	<b>1 249</b>	<b>(7 941)</b>	<b>0</b>	<b>(7 941)</b>
<b>At the end of the current period (31 December 2016)</b>	<b>135 156</b>	<b>126 071</b>	<b>(1 450)</b>	<b>(17 430)</b>	<b>24 855</b>	<b>(11 043)</b>	<b>(4 954)</b>	<b>251 205</b>	<b>0</b>	<b>251 205</b>

<sup>(1)</sup> see notes II.5.12. and II.5.13.



## II. Notes to the consolidated financial statements for the year ending 31 December 2017

### II.1. Summary of significant accounting policies

#### II.1.1. Statement of compliance - basis of preparation

Recticel s.a./n.v. (the "Company") is a limited company domiciled in Belgium. The Company's consolidated financial statements include the financial statements of the Company, its subsidiaries, interests in jointly controlled entities (joint ventures) and in associates, both accounted for under the equity method (together referred to as "the Group").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

#### II.1.2. Changes in accounting policies and disclosures

##### Standards and interpretations applicable for the annual period beginning on 1 January 2017

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 12 (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017)

##### Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2017

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28 (applicable for annual periods beginning on or after 1 January 2018)
- Annual improvements to IFRS Standards 2015-2017 Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)

The above standards do not have a material impact on the financials.

##### Potential impact of new standards and of new standards which are yet not applicable

- IFRS 15 Revenue from Contracts with Customers, applicable as from 1 January 2018

IFRS 15 was issued in May 2014 and Clarifications to IFRS 15 in April 2016 as part of a convergence project with the FASB. The standard is to be applied for reporting periods beginning on 1 January 2018 or later. The standard replaces the current standards IAS 18 and IAS 11 as well as their interpretations.

Either a full retrospective application or a modified retrospective application is required. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. Under this method, IFRS 15 will only be applied to contracts that are not completed as of the date of initial application (1 January 2018). This would mean that comparative figures of 2017 will not be restated and that the cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings of 2018.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expect to be entitled in exchange for those goods or services. The new standard establishes a five-step approach to revenue recognition:

- Step 1: Identifying contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, revenue is recognized when a customer obtains control of an asset or service, i.e., when it has both the ability to direct the use and obtain the benefits of the asset or service. The customer obtains control at a specific moment in time or over time. IFRS 15 includes new guidance in order to determine whether revenue should be recognized over time or at a point in time. Under the current standard IAS 18, "transfer of risks and rewards" was the main element as to the timing of revenue recognition in respect of sale of goods.

During 2016, the Group performed a preliminary assessment of IFRS 15 at the level of the parent entity and its subsidiaries, which is subject to changes arising from a more detailed on-going analysis.

At this stage, no detailed review of some major contracts was actually performed. The preliminary findings discussed below are based on discussions with controllers of the different operating segments of the Group, personnel involved in contract negotiations and business line leaders.

As explained in its annual report 2016, the Group has preliminary concluded that under IFRS 15 some moulds in Automotive are not capable of being distinct and are therefore to be combined with the specific parts to be delivered which are produced using the specific mould. This would defer the recognition of revenue in respect of these moulds over a longer period compared to current practice where revenue is recognized over the construction period of the mould by applying the percentage of completion. The Group estimates the impact of the related restatement on total equity to fall within a range of EUR -19 million to EUR -21 million before tax.

- IFRS 9 Financial instruments (as revised in 2014), effective for annual periods beginning on or after 1 January 2018

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

The Group elected not to restate the comparative amounts of 2017 for the impact of IFRS 9.

### **Classification and measurement of financial assets**

The date of initial application (i. e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group applies the requirements of IFRS 9 to instruments that have not been derecognized as at 1 January 2018 and does not apply the requirements of IFRS 9 to instruments that have already been derecognized as at 1 January 2018.

The management of the Group reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has the following impact on the Group's financial assets as regards their classification and measurement:

- The financial assets classified in the category "Loans and receivables" such as non-current receivables, trade receivables, cash and cash equivalents, other receivables (except for derivatives) under IAS 39 are classified and measured at amortised cost under IFRS 9;
- The financial assets (unquoted equity investments) classified in the category "Available-for-sale investments" such as other financial investments, available for sale investments, other investments under IAS 39 are designated as at fair value through other comprehensive income. The management has assessed that cost is an appropriate estimate of fair value for those unquoted equity investments because there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.
- Classification and measurement of financial liabilities of the Group has not been modified by the requirements of IFRS 9.
- None of these changes has any impact on the Group's financial position, other comprehensive income or total comprehensive income at the date of initial applicability of IFRS 9.

## Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Specifically, IFRS 9 requires the Group to recognize a loss allowance for expected credit losses on 1) trade receivables; 2) loans to related parties; 3) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply; 4) cash and cash equivalents.

IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables without a significant financing component (short-term trade receivables).

For long-term loans to related parties the general impairment assessment model is applied. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit loss.

The management has concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. These loans are also assessed to have credit risk other than low. Accordingly, the Group recognizes lifetime ECL for these loans until they are derecognized.

IFRS 9 applies the same measurement approach to loan commitments and financial guarantee contracts (other than measured at fair value through profit or loss) where previously these were measured with reference to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

The introduction of expected loss model by IFRS 9 does not have material impact on the Group's financial position or total comprehensive income at the date of initial applicability of IFRS 9.

## General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with a principle of an "economic relationship".

Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Group's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018.

As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

The application of the IFRS 9 hedge accounting requirements has no impact on the Group's financial position or total comprehensive income at the date of initial applicability of IFRS 9.

- IFRS 16 Leases (effective from annual periods beginning on or after 1 January 2019).

IFRS 16 replaces the existing lease accounting requirements and represents a significant change in the accounting and reporting of leases that were previously classified as operating leases, with significant increase of assets resulting from the recognition of the right-of-use assets and corresponding liabilities related to these leases to be reported on the balance sheet as well as a different recognition of contractual lease costs. The Group is in process of assessing the potential impact of IFRS 16 on the amounts recognized in the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of the impact until the review has been completed.

Operating lease agreements are further disclosed in note II.6.1.

## II.1.3. General principles

### Currency of accounts

The financial statements are presented in thousand euro (EUR) (unless specified otherwise), which is the currency of the primary economic environment in which the Group operates. The financial statements of foreign operations are translated in accordance with the policies set out below under 'Foreign Currencies'.

### Historical cost convention

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. Investments in equity instruments which are not quoted in an active market and whose fair value cannot be reliably measured by alternative valuation methods are carried at cost.

### Foreign currencies

Transactions in currencies other than EUR are accounted for at the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at closing rate. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the exchange rates prevailing at the date the fair value was determined. Gains and losses resulting from such translations are recognised in the financial result of the income statement, except when deferred in equity.

For purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at closing rate. Income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Resulting exchange differences are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), exchange differences accumulated in equity are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities (joint ventures) that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Consolidation principles

Consolidated financial statements include subsidiaries and interests in jointly controlled entities (joint ventures) and associates accounted for under the equity method.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group transactions, balances, income and expenses are eliminated in consolidation.

#### • Subsidiaries

Subsidiaries are entities that are controlled directly or indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of subsidiaries starts from the date Recticel controls the entity until the date such control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

However, when the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### • Jointly controlled entities

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for.

Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share in any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Group reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Group's investments in Eurofoam and in Proseat, which were classified as a jointly controlled entity under IAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under IFRS 11 and accounted for using the equity method.

#### • **Joint Ventures and Associates**

The results and assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in a joint venture and an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the venture and the associate. When the Group's share of losses of a venture and an associate exceeds the Group's interest in that joint venture and associate (which

includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture and associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture and associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture and an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

IAS 28.28 only permits recognition of the gain or loss from downstream transactions "to the extent of unrelated investors' interests in the associate or joint venture". However, the standard does not specifically address the treatment of revenue derived from transactions with equity-method investees (e.g. revenue from the sale of goods, or interest revenue) and whether that revenue should be eliminated from the consolidated financial statements.

In respect of the treatment of revenues derived from transactions with joint ventures and associates (e.g. sales services, interest revenue, ...), the Group has opted not to eliminate its interest in these transactions. As a matter of example, Recticel receives EUR 100 interest income on a loan provided to a 50/50 joint venture. Under the accounting policy adopted by Recticel this interest income would be accounted for as EUR 100 interest income of the Group. The cost incurred by the joint venture would be accounted for on a proportional (50%) basis through "results in joint ventures and associates" without making any adjustment for the proportional interest held by Recticel.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture and an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of fair value and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a joint venture and an associate that results in the Group losing significant influence over that joint venture and associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the

joint venture and associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the joint venture and associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture and associate on the same basis as would be required if that joint venture and associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture and associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that joint venture and associate.

#### • **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

When Recticel acquires an entity or business, the identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date, except for:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Where such a difference is negative, the excess is, after a reassessment of the values, recognised as income immediately as a bargain purchase gain.

Non-controlling interests (minority shareholders) that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis.

If Recticel increases its interest in an entity or business over which it did not yet exercise control (in principle increasing its interest up to and including 50% to 51% or more) (a business combination achieved in stages), the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (maximum one year after acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## II.1.4. Balance sheet items

### **Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

### **Internally-generated intangible assets - research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### **Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

### **Goodwill**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

Goodwill is reviewed for impairment at least annually. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the related goodwill is included in the determination of the profit or loss on disposal.

### **Property, plant and equipment**

An item of property, plant and equipment is recognised if it is probable that associated future economic benefits will flow to the Group and if its cost can be measured reliably. After initial recognition, all items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, except for land which is not depreciated. Cost includes all direct costs and all expenditure incurred to bring the asset to its working condition and location for its intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent expenditure related to an item of property, plant and equipment is expensed as incurred.

Depreciation is provided over the estimated useful lives of the various classes of property, plant and equipment using the straight-line method. Depreciation starts when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives of the most significant items of property, plant and equipment are within the following ranges:

Land improvements	: 25 years
Offices	: 25 to 40 years
Industrial buildings	: 25 years
Plants	: 10 to 15 years
Machinery	
Heavy	: 11 to 15 years
Medium	: 8 to 10 years
Light	: 5 to 7 years
Pre-operating costs	: 5 years maximum
Equipment	: 5 to 10 years
Furniture	: 5 to 10 years
Hardware	: 3 to 10 years
Vehicle fleet	
Cars	: 4 years
Trucks	: 7 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### Leases – Recticel as lessee

#### • Financial leases

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under financial leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as a financial lease obligation. Lease payments are apportioned between financial charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under financial leases are depreciated over their expected useful lives on the same basis as owned assets, except if the lease does not transfer ownership of the asset, in which case the leased asset is depreciated over the shorter of its useful life and the lease term.

#### • Operating leases

Leases under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Rents under operating leases are charged to income on a straight-line basis over the lease term. Benefits received or to be received as an incentive to enter into an operating lease are also recognised on a straight-line basis over the lease term.

### Impairment of tangible and intangible assets

Except for goodwill and intangible assets with an indefinite useful life which are tested for impairment at least annually, other tangible and intangible fixed assets are reviewed for impairment when there is an indication that their carrying amount will not be recoverable through use or sale. If an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell or value-in-use and the carrying amount. In assessing the fair value or value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in previous years. However, impairment losses on goodwill are never reversed.

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.



## **Financial investments**

Investments are recognised or derecognised on the trade date which is the date the Group undertakes to purchase or sell the asset. Financial investments are initially measured at the fair value of the consideration given, including transaction costs.

Investments held for trading or available for sale are subsequently carried at their fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period.

For investments available for sale, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is deemed to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Equity participations classified as 'available for sale', which are not quoted on an active market and for which the fair value cannot be measured reliably by alternative valuation methods, are measured at cost.

Financial investments which are 'held to maturity' are carried at amortised cost, using the effective interest rate method, except for short-term deposits, which are carried at cost.

### **• Impairment of financial assets**

The impairment loss of a financial asset measured at amortised cost is equal to the difference between the carrying amount and the estimated future cash flows, discounted at the initial effective rate. The impairment of an available-for-sale financial asset is calculated with reference to its current fair value.

An impairment test is performed, on an individual basis, for each material financial asset. Other assets are tested as groups of financial assets with similar credit risk characteristics.

Impairment losses are recognised in profit and loss. With respect to available-for-sale assets, in the event of an impairment loss, the cumulative negative changes in fair value previously recognised in equity are transferred to profit and loss.

The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised.

For financial assets measured at amortised cost and available-for-sale financial assets, the reversal is recognised in profit and loss. For available-for-sale financial assets which represent equity instruments, the reversal is recognised directly in equity. Impairment losses relating to assets recognised at cost cannot be reversed.

### **• Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On the entire derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit and loss.

On the partial derecognition of a financial asset other than its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

## **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

## Receivables

Short-term receivables are recognised at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

## Interest-bearing borrowings and equity instruments

Interest-bearing borrowings and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

### • Compound financial instruments

The components of compound instruments (convertible notes) issued by the Company are classified separately as debt component and equity component in accordance with the substance of the contractual arrangements and the definitions of the debt portion and an equity portion of such instrument.

At the time the conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, such compound instrument is re-qualified as an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised costs basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The value of the conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case the balance recognised in equity will be transferred to financial liability.

When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to financial liability. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component

are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

### • Interest-bearing borrowings at fair value through profit and loss

Interest-bearing borrowings are classified at fair value through profit and loss ("FVTPL") if they are held for trading. Interest-bearing borrowings at FVTPL are stated at fair value with any resultant gains or losses recognised in profit and loss. A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as FVTPL unless they are designated and effective as hedges.

## Pensions and similar obligations

### • Retirement benefit schemes

In accordance with the laws and practices of each country, the affiliated companies of the Group operate "defined benefit" and/or "defined contribution retirement benefit" plans.

#### 1. Defined contribution plans

Payments to "defined contributions" plans are charged as expenses as they fall due. It is the Group policy to have "defined contributions" plans for new hired employees where this is possible and appropriate.

#### 2. Defined benefit plans

Regarding the "defined benefit" plans, the amount recognised in the balance sheet is the present value of the "defined benefit obligation" less the fair value of any plan assets.

If the amount to be recognised in the balance sheet is negative, the asset does not exceed the net total of the present value of any future refunds from the plan or reductions in future contributions to the plan.

In the income statement, current and past service costs (including curtailments), settlement costs and administration expenses are charged in "other operating income & expenses", while the net interest cost is booked in "other financial income & expenses".

The present value of the "defined benefit obligations" and the related current and past service costs are calculated by qualified actuaries using the "projected unit credit method". The discount rate is based on the prevailing yields of high quality corporate bonds (i.e. AA corporate bonds) that have maturity dates approximating to the terms of the benefit obligations.

The fair value of group insurance contracts that match the amount and timing of some or all of the benefits payable under the plan is deemed to be the present value of the related obligations.

The actuarial gains and losses, resulting from differences between previous actuarial assumptions and actual experience, as well as changes in actuarial assumptions, are determined separately for each "defined benefit plan" and recognised in other comprehensive income. The asset gains and losses and the effect of changes in the asset ceiling, excluding amounts included in the net interest, are also recognized in other comprehensive income.

Past service costs, which arise from plan amendments, are recognised immediately as an expense.

Defined contribution pension plans in Belgium and Switzerland are 'hybrid' pension plans that qualify as defined benefit plans for IFRS purposes, because they are by law subject to minimum guaranteed rates of return and have to guarantee minimum annuity conversion rates. There is hence a risk that the Company may have to pay additional contributions related to past service. Any such additional contributions will depend on the actual investment returns as well as the future evolution of the minimum guarantees.

### **Termination benefits**

The entity shall recognize a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

### **Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black & Scholes model. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in the notes.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

### **Provisions**

Provisions are recognised in the balance sheet when the Group has a present obligation (legal or constructive) resulting from a past event and which is expected to result in a future outflow of resources which can be reliably estimated.

Provisions for warranty costs are recognised at the date of sale of the relevant products based on the best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for restructuring that has been communicated to affected parties before the balance sheet date.

### **Interest-bearing borrowings**

Interest-bearing borrowings are recorded at the proceeds received, net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value (including premiums payable on settlement or redemption) is recognised in the income statement over the period of the borrowing.

### **Non-interest-bearing payables**

Trade payables which are not interest-bearing are stated at cost, being the fair value of the consideration to be paid.

### **Derivative financial instruments**

Derivative financial instruments are accounted for as follows:

#### **• Cash flow hedges**

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or a forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

#### **• Net investment hedge**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency reserve. The gain or loss to the ineffective portion is recognised immediately in profit and loss.

#### **• Fair value hedges**

A derivative instrument is recognised as fair value hedge when it hedges the exposure to variation of the fair value of the recognised assets or liabilities. Derivatives classified as a fair value hedge and the hedged assets or liabilities are carried at fair value. The corresponding changes of the fair value are recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

## II.1.5. Revenue recognition

### General

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date.

This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Variations in contract work, claims and incentive payments are recognised when it is probable that these will be accepted by the customer and the amounts can be measured reliably.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that the contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to staff training costs are recognised as income over the periods required to match them with the related costs and are deducted from the related expense.

Government grants relating to property, plant & equipment are treated by deducting the received grants from the carrying amount of the related assets. These grants are recognised as income over the useful life of the depreciable assets.

### Income taxes

The tax expense represents the sum of the current tax expense and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that will never become taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liabilities have been recognised on undistributed retained earnings of subsidiaries, associates and joint ventures, as the impact is not material.

The carrying amount of deferred tax assets is reviewed at least at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## II.1.6. Critical accounting assessment and principal sources of uncertainty

Drawing up the annual accounts in accordance with IFRS requires management to make the necessary estimates and assessments. The management bases its estimates on past experience and other reasonable assessment criteria. These are reviewed periodically and the effects of such reviews are taken into account in the annual accounts of the period concerned. Future events which may have a financial impact on the Group are also included in this.

The estimated results of such possible future events may consequently diverge from the actual impact on results. Assessments and estimates were made, inter alia, regarding:

- additional impairments in respect of fixed assets, including Goodwill;
- determination of provisions for restructuring, contingent liabilities and other exposures;
- determination of provisions for irrecoverable receivables;
- determination of write-downs on inventories;
- valuation of post-employment defined benefit obligations, other long term employee benefits and termination benefits;
- the recoverability of deferred tax assets.

It is not excluded that future revisions of such estimates and assessments could trigger an adjustment in the value of the assets and liabilities in future financial years.

### II.1.6.1. Impairments on goodwill, intangible assets and property, plant and equipment

For amortized long term assets, an impairment analysis should be performed in case of impairment indicators. If such indicators exist, an impairment analysis shall be performed at the CGU level. For goodwill (and other not depreciated long term assets) an impairment test should be performed at least annually. The carrying amount can be allocated on a reasonable and consistent basis. Goodwill can be allocated for impairment testing to a group of cash generating units (CGUs), if the chief operating decision maker considers this as the most appropriate allocation. There is a link between the level at which goodwill is tested for impairment and the level of internal reporting that reflects the way the entity manages its operations and with which the goodwill is associated (as such it cannot exceed the level of the reported segments as defined by IFRS 8).

For the segment **Flexible Foams**, the CGU level is defined following the market and production capacity. This approach leads to the determination of four CGUs:

- CGU "Flexible Foams - United Kingdom";
- CGU "Flexible Foams - Continental";
- CGU "Flexible Foams - Scandinavia";
- CGU "Flexible Foams - International".

An impairment analysis was performed for the CGUs "Flexible Foams - United Kingdom" and "Flexible Foams - Scandinavia" considering the goodwill allocated to these CGUs. For the other CGUs of the Flexible Foams division, there is no goodwill and there are no impairment indicators for the long term assets, hence no impairment review is required in accordance with IAS36.

For the segment **Bedding**, the CGU level is defined globally at the Bedding segment level as a whole, considering the strong interdependence between the different markets and production capacity and the central decision making process.

The net book value of the assets retained for impairment tests, as included in the below table, represents about 85.5% of the total goodwill, 45.2% of the total property, plant and equipment and 38.2% of the total intangible assets. The examined assets relate to (i) the Flexible Foams' activities in the United Kingdom and Scandinavia, (ii) Bedding activities at the level of the whole segment and to (iii) the Automotive-Interiors' operations of the Group.

The most relevant results of these tests are listed below:

For **2017**:

Group Recticel	Book value in thousand EUR				
	FLEXIBLE FOAMS		BEDDING	AUTOMOTIVE	TOTAL
	United Kingdom	Scandinavia		Interiors	
Goodwill	4 048	5 449	11 160	0	20 657
Other intangible assets	117	891	1 544	2 149	4 701
Property, plant & equipment	3 123	8 450	30 303	60 725	102 601
<b>Total</b>	<b>7 288</b>	<b>14 790</b>	<b>43 007</b>	<b>62 874</b>	<b>127 959</b>
Impairments	0	0	(141)	(6 696)	(6 837)
<b>Net book value</b>	<b>7 288</b>	<b>14 790</b>	<b>42 866</b>	<b>56 178</b>	<b>121 122</b>

Footnote: Working capital is not included in the analysis.

For **2016**:

Group Recticel	Book value in thousand EUR				
	FLEXIBLE FOAMS		BEDDING	AUTOMOTIVE	TOTAL
	United Kingdom	Scandinavia		Interiors	
Goodwill	4 194	5 583	11 647	0	21 424
Other intangible assets	154	253	2 692	2 525	5 624
Property, plant & equipment	4 084	7 277	32 368	51 466	95 195
<b>Total</b>	<b>8 432</b>	<b>13 113</b>	<b>46 707</b>	<b>53 991</b>	<b>122 243</b>
Impairments	(284)	0	(1 130)	0	(1 414) <sup>(1)</sup>
<b>Net book value</b>	<b>8 148</b>	<b>13 113</b>	<b>45 577</b>	<b>53 991</b>	<b>120 829</b>

Footnote: Working capital is not included in the analysis.

<sup>(1)</sup> excluding an additional impairment (EUR 0.258 million) resulting from the restructuring of the Flexible Foams plant in Noyen-sur-Sarthe (France) in 2016; hence the total amount of impairments recognised in 2016 amounts to EUR 1.672 million.

For the impairment test of the balance sheet items included in the table above, certain assumptions were made. The recoverable amount of the total "cash-generating unit" ("CGU") is determined on the basis of the value-in-use model.

An impairment has been recognised due to (i) idle equipment resulting from the rationalisation of the industrial footprint in Flexible Foams (The Netherlands) (EUR 0.2 million) and in Bedding (Germany) (EUR 0.1 million).

When determining its expected future cash flows, the Group takes into account prudent, though realistic, assumptions regarding the evolution of its markets, its sales, the raw materials prices, the impact of past restructurings and the gross margins, which all are based on (i) the past experiences of the management and/or (ii) which are in line with trustworthy external information sources. It can however not be excluded that a future reassessment of assumptions and/or market analysis induced by future developments in the economic environment might lead to the recognition of additional impairments.

For the discounting of the future cash flows, a uniform overall Group-based pre-tax discount rate of 7.0% is used for all CGUs (6.4% in 2016). This pre-tax discount rate is based on a (long-term) weighted average cost of capital based on the current market expectations of the time value of money and risks for which future cash flows must be adjusted; the risks being implicit in the cash flows.

For countries with a higher perceived risk (i.e. emerging markets), the level of investments is relatively limited (1.4% of total fixed assets); hence no separate pre-tax discount rate is used.

The pre-tax discount rate for impairment testing is based on the following assumptions: (EUR based)

<b>Group target ratios:</b>	<b>2017</b>	<b>2016</b>
Gearing: net financial debt/total equity	50%	50%
% net financial debt	33%	33%
% total equity	67%	67%
<b>Pre-tax cost of debt</b>	<b>3.2%</b>	<b>3.6%</b>
<b>Pre-tax cost of equity = <math>(R_f + E_m * \beta + S_p)/(1-T)</math></b>	<b>11.7%</b>	<b>9.3%</b>
Risk free interest rate = $R_f$	2.0%	0.77%
Beta = $\beta$	1.05	0.80
Market equity risk premium = $E_m$	5.5%	6.5%
Small cap premium = $S_p$	1.0%	1.0%
<b>Corporate tax rate = T</b>	<b>25.0%</b>	<b>25.0%</b>
Assumed inflation rate	1.9%	1.0%
<b>Pre-tax WACC (weighted average cost of capital)</b>	<b>7.0%</b>	<b>6.4%</b>

The discount factors are reviewed at least annually.

### II.1.6.1.1. Flexible Foams

#### II.1.6.1.1.1. Key assumptions

For the CGU "Flexible Foams – United Kingdom" the value-in-use model projections are based on budgets and financial plans covering a two-year period without any anticipated average growth in sales. After this 2-year period, a perpetuity value is taken into account without growth rate.

For the CGU "Flexible Foams – Scandinavia", the value-in-use model projections are based on budgets and financial plans without growth covering a three-year period. After this 3-year period, a perpetuity value is taken into account without growth rate.

On this basis, the value-in-use of the CGU "Flexible Foams – United Kingdom" amounts to 2.3 times (2016: 9.4 times) the net asset book value, and the value-in-use of the CGU "Flexible Foams – Scandinavia" amounts to 6.4 times (2016: 5.6 times) the net asset book value.

#### II.1.6.1.1.2. Sensitivity analysis

A first sensitivity analysis (A) is performed to measure the impact of a changing WACC rate (+1%) on the outcome of the impairment tests (see overview table below).

A second sensitivity analysis (B) is performed to measure the impact of a changing gross margin on sales (-1%) on the outcome of the impairment tests – applied on the business plan 2018-2020 and the perpetuity (see overview table below).

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin on sales (-1%) – applied on the business plan 2018-2020 and the perpetuity- on the outcome of the impairment tests (see overview table below). Considering the uncertainty and volatility of the environment in the United Kingdom, a sensitivity analysis has been completed with a discount rate of 8.45% in combination with a reduction of the gross margin of 1%, which leads to a value in use equal to the net book value.

Sensitivity	CURRENT HEADROOM	1% INCREASE OF WACC (A)	1% DECREASE OF GROSS MARGIN ON SALES (B)	COMBINATION OF (A) AND (B)
Flexible Foams -UK	2.3 times book value	1.9 times book value	1.2 times book value	1.2 times book value
Flexible Foams - Scandinavia	6.4 times book value	5.6 times book value	5.9 times book value	5.1 times book value

### II.1.6.1.2. Bedding

#### II.1.6.1.2.1. Key assumptions

For the CGU "Bedding – Segment" from 2017 onwards, the value-in-use model projections are based on budgets and financial plans covering a three-year period with an anticipated average sales growth of 4.00% and average growth in gross margin on sales of 1%. After this 3-year period, a perpetuity value is taken into account without growth rate.

On this basis, the value-in-use of the CGU "Bedding – Segment" amounts to 5.4 times (2016: 6.2 times) the net asset book value.

#### II.1.6.1.2.2. Sensitivity analysis

A first sensitivity analysis (A) is performed to measure the impact of a changing WACC rate (+1%) on the outcome of the impairment tests (see overview table below).

A second sensitivity analysis (B) is performed to measure the impact of a changing gross margin (-1%) on the outcome of the impairment tests (see overview table below).

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin (-1%) – applied on the business plan 2018-2020 and the perpetuity- on the outcome of the impairment tests (see overview table below).

Sensitivity	CURRENT HEADROOM	1% INCREASE OF WACC (A)	1% DECREASE OF GROSS MARGIN ON SALES (B)	COMBINATION OF (A) AND (B)
Bedding	5.4 times book value	4.7 times book value	4.2 times book value	3.6 times book value

### II.1.6.1.3. Automotive

#### II.1.6.1.3.1. Key assumptions

##### Cash flows:

For the CGU "Interiors", the value-in-use model projections are based on the budgets and financial plans for the duration of each project/model, in combination with an overview of the entire capacity utilisation. Project assets are depreciated over the project life time. Except for RAI Most (Czech Republic) (see below), there will be no residual book value of specific project related assets at the end of the project production life time.

The CGU "Interiors" uses a project approach. Impairments are booked on property, plant and equipment and intangible assets:

- if a project generates insufficient cash flow to cover the depreciation of the property, plant and equipment and intangible assets assigned to the project,
- for property, plant and equipment or intangible assets which are expected not to be reallocated to other projects. Consequently, assets which are expected to become available within 2 years and cannot be reallocated to other projects, need to be impaired.

No impairments have been recognized in 2017, except for RAI Most.

##### Discount rate:

The pre-tax discount rate used amounts to 7.00% (2016: 6.40%) and is based on a weighted average cost of capital based on the current market expectations of the time value of money and the risks for which future cash flows must be adjusted.

#### II.1.6.1.3.2. Sensitivity analysis

With regard to the CGU "Interiors", an increase in the pre-tax discount rate to 8.00% (2016: 7.40%) or decrease of the gross margin on sales of 1% would not give rise to material impairments.

Except for RAI Most (Czech Republic) (see below), a sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin on sales (-1%) – applied on the business plan 2018-2020 and the perpetuity - on the outcome of the impairment tests. This would not give rise to material impairments.

### Situation RAI Most s.r.o. (Czech Republic)

Following the replacement of the destroyed assets as a result of the fire incident, the net book value of the assets exceeded the value of the discounted cash flows. Moreover, management is of the opinion that the residual value at the end of the lifetime of the projects needs to be impaired considering the specific nature of the assets and business contractual obligations toward the clients. The impairment test related to the assets of replacement, lead to the recognition of EUR -6.7 million in adjustment value.

#### II.1.6.2. Deferred tax

Deferred tax assets are recognised for the unused tax loss carried forward and unused tax credits, to the extent that it is expected that future taxable profits will be available against which these unused tax loss carried forward and unused tax credits can be offset. For this purpose, Management bases recognition of deferred tax assets on its business plans (see note II.4.5.).

The deferred tax assets decreased from EUR 37.8 million to EUR 26.2 million, impacting the profit and loss account by EUR -10.2 million and equity by EUR -1.4 million. Management assessed and booked the impact of the Belgian corporate tax reform. EUR -10.2 million deferred taxes in the profit and loss account includes a EUR -4.5 million impact resulting from the change in corporate tax legislation in Belgium. The Belgian corporate income tax reform also generated a negative impact of EUR -1.8 million in equity, resulting from the change in corporate tax computed on the pensions IAS19 reserve for actuarial gains and losses. Next to Recticel NV, other deferred tax assets contributions are recognised mainly in Germany (EUR 2.6 million) and the United Kingdom (EUR 2.8 million), which are supported by structural future taxable profits.



## II.2. Changes in scope of consolidation

There were no changes in the scope of consolidation in 2017.

## II.3. Business and geographical segments

### II.3.1. Business segments

IFRS 8 requires operating segments to be identified on the basis of the internal reporting structure of the Group that allows a regular performance review by the chief operating decision maker and an adequate allocation of resources to each segment. Despite the application of IFRS 11, the chief operating decision makers continue to operate on the basis of financial data per segment on a "Combined" basis, i.e. including Recticel's pro rata share in the joint ventures, after intercompany eliminations, in accordance with the proportionate consolidation method.

The information reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment per segment is more specifically focussed on Sales, EBITDA, EBIT, Capital Employed and Operational Cash Flow per segment. The principal market segments for these goods are the four operating segments: Flexible Foams, Bedding, Insulation, Automotive, and Corporate. For more details on these segments, reference is made to the first part of this annual report. Information regarding the Group's reportable segments is presented below. Inter-segment sales are made at prevailing market conditions.

### Income statement for the year 2017

in thousand EUR								
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
<b>SALES</b>								
External sales	575 797	264 197	348 716	272 110		<b>1 460 820</b>		
Inter-segment sales	50 329	7 897	1 651	227	(60 104)	<b>0</b>		
<b>Total sales</b>	<b>626 126</b>	<b>272 094</b>	<b>350 367</b>	<b>272 337</b>	<b>(60 104)</b>	<b>1 460 820</b>	<b>(325 467)</b>	<b>1 135 353</b>
<b>EARNINGS BEFORE INTEREST AND TAXES (EBIT)</b>								
Unallocated corporate expenses <sup>(1)</sup>						<b>(16 821)</b>	<b>0</b>	<b>(16 821)</b>
<b>EBIT</b>	<b>17 704</b>	<b>9 598</b>	<b>4 117</b>	<b>33 484</b>	<b>0</b>	<b>48 082</b>	<b>(3 221)</b>	<b>44 861</b>
Financial result								(4 742)
<b>Result for the period before taxes</b>								<b>40 119</b>
Income taxes								(16 206)
<b>Result for the period after taxes</b>								<b>23 913</b>
of which non-controlling interests								0
of which share of the Group								23 913

<sup>(1)</sup> Includes mainly headquarters' costs (EUR 14.5 million (2016: EUR 15,6 million)) and R&D expenses (Corporate Programme) (EUR 2.3 million (2016: EUR 3.0 million)).

### Other information 2017

in thousand EUR								
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Depreciation and amortisation	12 714	4 597	14 196	6 659	861	<b>39 027</b>	(8 110)	<b>30 917</b>
Impairment losses recognised in profit and loss	172	141	6 696	0	0	<b>7 009</b>	0	<b>7 009</b>
EBITDA	30 590	14 336	25 009	40 144	(15 960)	<b>94 119</b>	(11 332)	<b>82 787</b>
Capital expenditure/additions	11 968	3 182	36 100	14 096	2 928	<b>68 274</b>	(2 354)	<b>65 920</b>

## Impairments

In 2017, impairment charges amounted to EUR -7.0 million and relate to (i) impairment of equipment in Automotive Interiors (EUR -6.7 million) following the fire incident in the Most plant in the Czech Republic and (ii) idle tangible assets in Flexible Foams and Bedding (EUR -0.3 million).

## EBITDA

EBITDA per segment is commented in the first part of this annual report (section Report by the Board of Directors).

### Balance sheet at 31 December 2017

								in thousand EUR	
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)	
<b>ASSETS</b>									
Segment assets	283 945	113 990	261 917	122 047	(117 554)	<b>664 345</b>	(171 372)	<b>492 973</b>	
Investment in associates	15 110	0	0	1 490	0	<b>16 600</b>	59 642	<b>76 241</b>	
Unallocated assets						<b>140 205</b>	20 744	<b>160 948</b>	
<b>Total consolidated assets</b>						<b>821 149</b>	(90 987)	<b>730 162</b>	
<b>LIABILITIES</b>									
Segment liabilities	138 658	55 302	116 512	78 943	(117 320)	<b>272 096</b>	(60 172)	<b>211 924</b>	
Unallocated liabilities						<b>287 267</b>	(30 815)	<b>256 452</b>	
<b>Total consolidated liabilities (excluding equity)</b>						<b>559 363</b>	(90 987)	<b>468 376</b>	

The unallocated assets, which amount to EUR 140.2 million, include the following items:

- Financial receivables for EUR 19.7 million
- Current tax receivables for EUR 3.3 million
- Other receivables (including tax credits) for EUR 17.2 million
- Deferred tax assets for EUR 26.7 million
- Cash & cash equivalent for EUR 73.2 million.

The unallocated liabilities, which amount to EUR 287.3 million (equity excluded), include mainly the following items:

- Provisions for pensions – long term for EUR 63.4 million
- Provisions for pensions – short term for EUR 4.0 million
- Provisions other – long term for EUR 17.1 million
- Provisions other – short term for EUR 1.4 million
- Deferred tax liabilities for EUR 10.3 million
- Interest-bearing borrowings long-term for EUR 90.5 million
- Interest-bearing borrowings short-term for EUR 81.6 million
- Current taxes payable for EUR 2.9 million.

### The breakdown of the goodwill per business line per 31 December 2017

				in thousand EUR	
Group Recticel	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)		
Eurofoam	488	(488)	0		
Germany	806	0	806		
Netherlands	253	0	253		
Scandinavia	5 434	0	5 434		
United Kingdom	4 048	0	4 048		
<b>Total Flexible Foams</b>	<b>11 029</b>	<b>(488)</b>	<b>10 541</b>		
<b>Total Bedding</b>	<b>11 073</b>	<b>0</b>	<b>11 073</b>		
Belgium	1 619	0	1 619		
United Kingdom	935	0	935		
<b>Total Insulation</b>	<b>2 554</b>	<b>0</b>	<b>2 554</b>		
Proseat (Seating)	8 978	(8 978)	0		
<b>Total Automotive</b>	<b>8 978</b>	<b>(8 978)</b>	<b>0</b>		
			0		
<b>Total goodwill</b>	<b>33 634</b>	<b>(9 466)</b>	<b>24 168</b>		

## Income statement for the year 2016

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
<b>SALES</b>								
External sales	551 273	274 455	288 041	234 131		1 347 900		
Inter-segment sales	55 975	18 473	905	3	(75 356)	0		
<b>Total sales</b>	<b>607 248</b>	<b>292 928</b>	<b>288 946</b>	<b>234 134</b>	<b>(75 356)</b>	<b>1 347 900</b>	<b>(299 577)</b>	<b>1 048 323</b>
<b>EARNINGS BEFORE INTEREST AND TAXES (EBIT)</b>								
Unallocated corporate expenses <sup>(1)</sup>						(18 568)	0	(18 568)
<b>EBIT</b>	<b>26 473</b>	<b>5 768</b>	<b>4 028</b>	<b>26 583</b>	<b>0</b>	<b>44 284</b>	<b>(5 065)</b>	<b>39 219</b>
Financial result								(11 728)
<b>Result for the period before taxes</b>								<b>27 491</b>
Income taxes								(11 161)
<b>Result for the period after taxes</b>								<b>16 330</b>
of which non-controlling interests								0
of which share of the Group								16 330

<sup>(1)</sup> Includes mainly headquarters' costs (EUR 12.0 million (2015: EUR 15.6 million)) and R&D expenses (Corporate Programme) (EUR 3.0 million (2015: EUR 2.7 million)).

## Other information 2016

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Depreciation and amortisation	12 535	5 238	14 281	6 312	1 122	39 488	(7 672)	31 816
Impairment losses recognised in profit and loss	542	1 130	0	0	0	1 672	0	1 672
EBITDA	39 550	12 136	18 309	32 895	(17 446)	85 444	(12 737)	72 707
Capital expenditure/additions	13 150	2 550	22 030	13 243	2 885	53 858	(9 471)	44 387

### Impairments

In 2016, impairment losses recognized in profit and loss are mainly related to idle equipment in Flexible Foams (France and United Kingdom) (EUR 0.54 million) and to a building improvement (EUR 0.43 million) and intangible assets (EUR 0.70 million) in Bedding.

### EBITDA

EBITDA per segment is commented in the first part of this annual report (section Report by the Board of Directors).

## Balance sheet at 31 December 2016

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
<b>ASSETS</b>								
Segment assets	281 172	131 468	260 939	107 879	(183 568)	597 890	(148 725)	449 165
Investment in associates	14 246	0	0	1 521	0	15 767	66 622	82 389
Unallocated assets						145 394	16 006	161 400
<b>Total consolidated assets</b>						<b>759 051</b>	<b>(66 097)</b>	<b>692 954</b>
<b>LIABILITIES</b>								
Segment liabilities	155 610	67 611	125 784	64 415	(183 368)	230 052	(51 068)	178 984
Unallocated liabilities						277 794	(15 029)	262 765
<b>Total consolidated liabilities (excluding equity)</b>						<b>507 846</b>	<b>(66 097)</b>	<b>441 749</b>

The unallocated assets, which amount to EUR 145.4 million, include the following items:

- Financial receivables for EUR 28.8 million
- Current tax receivables for EUR 1.9 million
- Other receivables for EUR 15.7 million
- Deferred tax assets for EUR 38.7 million
- Cash & cash equivalent for EUR 51.7 million.

The unallocated liabilities, which amount to EUR 277.8 million (equity excluded), include mainly the following items:

- Provisions for pensions – long term for EUR 60.0 million
- Provisions for pensions – short term for EUR 4.2 million
- Provisions other – long term for EUR 15.5 million
- Provisions other – short term for EUR 2.1 million
- Deferred tax liabilities for EUR 10.8 million
- Interest-bearing borrowings long-term for EUR 100.9 million
- Interest-bearing borrowings short-term for EUR 61.3 million
- Current taxes payable for EUR 3.9 million.

### The breakdown of the goodwill per business line per 31 December 2016

in thousand EUR			
Group Recticel	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Eurofoam	488	(488)	0
Germany	806	0	806
Netherlands	253	0	253
Scandinavia	5 583	0	5 583
United Kingdom	4 195	0	4 195
<b>Total Flexible Foams</b>	<b>11 325</b>	<b>(488)</b>	<b>10 837</b>
<b>Total Bedding</b>	<b>11 648</b>	<b>0</b>	<b>11 648</b>
Belgium	1 619	0	1 619
United Kingdom	969	0	969
<b>Total Insulation</b>	<b>2 588</b>	<b>0</b>	<b>2 588</b>
Proseat (Seating)	8 978	(8 978)	0
<b>Total Automotive</b>	<b>8 978</b>	<b>(8 978)</b>	<b>0</b>
<b>Total goodwill</b>	<b>34 539</b>	<b>(9 466)</b>	<b>25 073</b>

### Non-recurring elements (on a combined basis) in the EBIT per segment

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	NOT ALLOCATED	COMBINED TOTAL
<b>2017</b>						
Impairments	(172)	(141)	(6 696)	0	0	(7 009)
Net impact (excluding impairment) of fire incident in Interiors plant in Most (Czech Republic)	0	0	(1 092)	0	0	(1 092)
Restructuring charges	(3 347)	(630)	470	(194)	0	(3 701)
Other	(6 617)	(160)	10	0	172	(6 595)
<b>TOTAL</b>	<b>(10 136)</b>	<b>(931)</b>	<b>(7 308)</b>	<b>(194)</b>	<b>172</b>	<b>(18 397)</b>
<b>2016</b>						
Impairments	(542)	(1 130)	0	0	0	(1 672)
Restructuring charges	(2 461)	(3 542)	(1 549)	(191)	0	(7 743)
Capital gain on divestment	0	0	0	0	0	0
Other	(4 287)	(3)	(85)	0	(127)	(4 502)
<b>TOTAL</b>	<b>(7 290)</b>	<b>(4 675)</b>	<b>(1 634)</b>	<b>(191)</b>	<b>(127)</b>	<b>(13 917)</b>

#### For 2017

- Impairment charges amounted to EUR -70 million and relate to (i) impairment of equipment in Automotive Interiors (EUR -6.7 million) following the fire incident in the Most plant in the Czech Republic and (ii) idle tangible assets in Flexible Foams and Bedding (EUR -0.3 million).
- The net financial impact of the fire incident in Most, excluding impairment losses, amounts to EUR -1.1 million and includes: additional expenses, inefficiencies and losses on assets induced by the fire, reinsurance costs and compensating insurance payments.
- Additional restructuring measures were implemented in execution of the Group's rationalisation plan, including the closure of the Flexible Foams plant in Buren (The Netherlands) (EUR -1.8 million), additional costs relating to the Flexible Foams plant in Noyen-sur-Sarthe (France) (EUR -1.1 million) and in Bedding (Germany and Switzerland) (EUR -0.6 million).
- Other non-recurring elements relate mainly to incurred costs and provisions for legal fees and litigation.

#### For 2016

- Impairment losses recognized in profit and loss are mainly related to idle equipment in Flexible Foams (France and United Kingdom) (EUR 0.54 million) and to a building in Bedding (Austria, EUR 0.43 million) and intangible assets (IT development costs, EUR 0.70 million) in Bedding.
- Additional restructuring measures were implemented in execution of the Group's rationalisation plan, including the closure of the Flexible Foams plant in Noyen-sur-Sarthe (France) and additional costs relating to Bedding (Austria and Switzerland) and Automotive Interiors (Germany and USA).
- Other non-recurring elements relate mainly to incurred costs and provisions for legal fees and litigation.

## II.3.2. Geographical information

The Group's operations are mainly located in the European Union.

The following table provides an analysis of the Group's sales and fixed assets by geographical market.

#### Sales (by destination)

Group Recticel	in thousand EUR	
	2017	2016
Belgium	149 549	133 925
France	154 826	135 190
Germany	198 472	194 285
United Kingdom	151 642	145 292
Other EU countries	307 886	293 800
<b>European Union</b>	<b>962 374</b>	<b>902 491</b>
Other	172 979	145 832
<b>TOTAL</b>	<b>1 135 353</b>	<b>1 048 323</b>

#### Reliance on major customers

The Group has no major customers that represent more than 10% of total sales. The top-10 customers of the Group represents 25.4% of total consolidated sales.

#### Intangible assets – property, plant & equipment – investment property

Group Recticel	in thousand EUR			
	31 DEC 2017	31 DEC 2016	ACQUISITIONS, INCLUDING OWN PRODUCTION	
			2017	2016
Belgium	74 723	73 468	18 114	16 341
France	37 398	40 156	1 279	3 140
Germany	17 576	19 229	5 050	7 525
United Kingdom	9 435	11 585	278	1 239
Other EU countries	69 904	55 878	31 737	9 111
<b>European Union</b>	<b>209 036</b>	<b>200 316</b>	<b>56 458</b>	<b>37 356</b>
Other	33 400	31 325	8 874	7 031
<b>TOTAL</b>	<b>242 437</b>	<b>231 641</b>	<b>65 332</b>	<b>44 387</b>

## II.4. Income statement

### II.4.1. General and administrative expenses - Sales and marketing expenses

General and administrative expenses slightly decreased by EUR -1.0 million to EUR 78.4 million, following cost control measures offsetting salary inflation.

Sales and marketing expenses decreased by EUR -2.5 million to EUR 69.5 million. The decrease is mainly due to lower advertising and promotion expenses in the Bedding segment.

### II.4.2. Other operating revenues and expenses

Group Recticel	in thousand EUR	
	2017	2016
Other operating revenues	55 976	6 907
Other operating expenses	(28 344)	(19 735)
<b>TOTAL</b>	<b>27 632</b>	<b>(12 828)</b>
Restructuring charges (including site closure, onerous contracts and clean-up costs)	(3 701)	(6 004)
Gain (Loss) on disposal of intangible and tangible assets	853	(117)
Gain (Loss) on disposal of joint ventures and other financial investments	0	(88)
Amounts written-back/(-off) on affiliates investments and loss on receivables	(529)	28
Other expenses	(24 114)	(13 302)
Other revenues	55 123	6 655
<b>TOTAL</b>	<b>27 632</b>	<b>(12 828)</b>

#### Restructuring

During **2017**, restructuring charges are mainly related to Flexible Foams in France and The Netherlands, to Bedding in Germany and Switzerland, to Automotive Interiors in Germany and to Insulation in France.

During **2016**, restructuring charges are mainly related to Flexible Foams in France, Scandinavia and Spain; to Bedding in Austria, Germany and Switzerland and to Automotive Interiors in Germany and the USA.

#### Gain (loss) on disposal of tangible and intangible assets

In **2017**, this item relates mainly to the gain on disposal of equipment of Automotive Interiors in China.

#### Loss on receivables

In **2017**, this item relates mainly resulting from the write-off of a financial receivable towards two affiliated companies in liquidation (EUR -0.5 million).

## Other revenues and expenses

"Other revenues and expenses" in **2017** comprised mainly:

- (i) The net impact of the fire in Most (EUR +28.9 million), excluding the EUR -30.0 million of additional cost recognised under 'Cost of goods sold'.
- (ii) The net impact of quality issue with a raw material supplier (EUR +1.9 million)
- (iii) The net impact of pension liabilities (EUR -4.0 million), including additional service costs, other social costs and currency effects on pension plans.
- (iv) net revenues from insurance premiums (EUR +2.5 million)
- (v) additional legal fees and settlement costs related to claims in relation with the EC investigation (Flexible Foams) (EUR -2.3 million)
- (vi) re-invoicing of services and goods, rentals (EUR +0.7 million)
- (vii) additional accruals for different operational claims (EUR -0.5 million)
- (viii) indemnity received for the damage costs from a leakage incident in the Flexible Foams plant in Norway (EUR +0.6 million)
- (ix) reversal of environmental provision (EUR +0.5 million)
- (x) income from royalties (EUR +0.6 million)
- (xi) income from tax credit research grants (EUR +1.3 million).

"Other revenues and expenses" in **2016** comprised mainly:

- (i) The net impact of pension liabilities (EUR -2.0 million), including additional service costs, other social costs and currency effects on pension plans. These current effects on pension plans were partly offset by a positive impact resulting from a reduction of liabilities in Belgium due to the application of the law restricting the retirement conditions.
- (ii) additional legal fees and settlement costs related to claims in relation with the EC investigation (Flexible Foams) (EUR -3.1 million)
- (iii) net revenues from insurance premiums (EUR +2.3 million)
- (iv) re-invoicing of services and goods, rentals (EUR +0.7 million)
- (v) additional accruals for different operational claims (EUR -3.8 million)
- (vi) damage costs from a leakage incident in a Flexible Foams plant in Norway (EUR -0.5 million)

## II.4.3. Earnings before interest and taxes (EBIT)

The components (by nature) of EBIT are as follows:

in thousand EUR				
Group Recticel	2017		2016	
Sales	1 135 353	100%	1 048 323	100%
Purchases and changes in inventories	(579 864)	-51,1%	(511 522)	-48,8%
Other goods and services	(244 864)	-21,6%	(214 009)	-20,4%
Labour costs	(292 802)	-25,8%	(276 263)	-26,4%
Amortisation and depreciation on non-current assets	(29 349)	-2,6%	(30 389)	-2,9%
Impairments on non-current assets	(7 009)	-0,6%	(1 672)	-0,2%
Amounts written back/(off) on affiliated investments	0	0,0%	28	0,0%
Amounts written back/(off) on inventories	(2 682)	-0,2%	913	0,1%
Amounts written back/(off) on receivables	304	0,0%	1 316	0,1%
Amortisation of deferred long term and upfront payment	(1 569)	-0,1%	(1 338)	-0,1%
Provisions	(3 467)	-0,3%	(6 647)	-0,6%
Gain/(Loss) on disposal financial assets	(13)	0,0%	(88)	0,0%
Own production	8 822	0,8%	7 194	0,7%
Other revenues <sup>1</sup>	78 385	6,9%	27 356	2,6%
Other expenses <sup>2</sup>	(18 773)	-1,7%	(20 910)	-2,0%
Income from associates & joint ventures	2 390	0,2%	16 927	1,6%
<b>EBIT</b>	<b>44 861</b>	<b>4,0%</b>	<b>39 219</b>	<b>3,7%</b>

	2017	2016
<b><sup>1</sup> Other revenues</b>		
Reinvoicing of expenses	11 747	11 332
Insurance premiums	2 496	2 810
Indemnities	48 158	932
Subsidies	1 554	2 778
Service fees	1 840	1 083
Royalties	798	1 067
Gain on disposal of tangible assets	890	97
Gains on sale & lease backs	39	472
Operating lease income	2 254	1 930
Other	8 609	4 855
<b>Total</b>	<b>78 385</b>	<b>27 356</b>
<b><sup>2</sup> Other expenses</b>		
Operating taxes	(6 037)	(6 143)
Indemnity for claims	(176)	(2 101)
Damage claims	(1 864)	(491)
Expenses to be reimbursed	0	(984)
Loss on disposal of tangible assets	0	(102)
Write-off on tangible assets <sup>(a)</sup>	(3 307)	0
Loss on realisation of trade receivables	(334)	(551)
Loss on realisation of financial receivables	(434)	0
Loss on sale & lease backs	(53)	(671)
Repair costs	0	(1 622)
Other	(6 569)	(8 245)
<b>Total</b>	<b>(18 773)</b>	<b>(20 910)</b>

<sup>(a)</sup> Relates to destroyed assets from the fire incident in Most (Czech Republic)



**Sales:** All segments except Bedding reported higher sales. The overall progress is the result of (i) a strong volume growth in Automotive, positively influenced by the start-up of scheduled new programs in Automotive Interiors, and (ii) increased average sales prices following the steep increase of raw material costs (i.e. isocyanates MDI and TDI).

**Purchases and changes in inventories** primarily increased as a result of higher chemical raw materials prices.

**Other goods and services** comprise transportation costs (EUR 53.6 million versus EUR 50.1 million in 2016), operating leases (EUR 31.7 million versus EUR 28.2 million in 2016), supplies (EUR 23.7 million versus EUR 24.9 million in 2016), fees (EUR 17.6 million versus EUR 16.5 million in 2016), repair and maintenance costs (EUR 18.3 million versus EUR 14.5 million in 2016), advertising/fairs/exhibition costs (EUR 13.2 million versus EUR 16.8 million in 2016), travel expenses (EUR 8.2 million versus EUR 8.8 million in 2016) and administrative expenses (EUR 8.4 million versus EUR 6.5 million in 2016). In 2017, the increase of other goods and services is mainly explained by EUR -30.0 million of

non-recurring costs incurred due to alternative production solutions and operational inefficiencies following the fire incident in the Most-plant (Automotive Interiors, Czech Republic).

**Labour costs** increased mainly due to salary inflation and the start-up of new programs in Automotive Interiors.

The lower **income from joint ventures & associates** is mainly explained by higher chemical raw material costs which could not be fully passed on to the market. In addition, Proseat (Automotive Seating) was impacted by operational issues in one of its factories.

**Other revenues** were mainly impacted by the indemnities received in the context of the fire incident in Most, the raw material quality issues at a supplier and the leakage incident in the Flexible Foams plant in Norway.

## II.4.4. Financial result

	in thousand EUR	
<b>Group Recticel</b>	<b>2017</b>	<b>2016</b>
Interest charges on bonds & notes	(803)	(1 440)
Interest on financial lease	(251)	(334)
Interest on long-term bank loans	(1 213)	(2 329)
Interest on short-term bank loans & overdraft	(2 043)	(1 177)
Net interest charges on Interest Rate Swaps	(2 390)	(2 405)
Net interest charges on foreign currency swaps	63	(552)
<b>Total borrowing cost</b>	<b>(6 638)</b>	<b>(8 236)</b>
Interest income from bank deposits	47	29
Interest income from financial receivables	506	660
<b>Interest income from financial receivables and cash</b>	<b>553</b>	<b>689</b>
Interest charges on other debts	(419)	(720)
Interest income from other financial receivables	44	172
<b>Total other interest</b>	<b>(375)</b>	<b>(548)</b>
<b>Interest income and expenses</b>	<b>(6 460)</b>	<b>(8 095)</b>
<b>Exchange rate differences</b>	<b>3 204</b>	<b>(2 554)</b>
Net interest cost IAS 19	(967)	(1 102)
Interest actualisation revenue for receivables	15	10
<b>Interest on provisions for employee benefits and other debt</b>	<b>(952)</b>	<b>(1 092)</b>
<b>Other financial result</b>	<b>(534)</b>	<b>12</b>
<b>Total other financial result</b>	<b>1 717</b>	<b>(3 633)</b>
<b>FINANCIAL RESULT</b>	<b>(4 742)</b>	<b>(11 728)</b>

## II.4.5. Income taxes

### 1. Income tax expense

in thousand EUR		
Group Recticel	2017	2016
<b>Recognised in the income statement</b>		
Current income tax:		
Current year	(5 184)	(4 741)
Prior year	(802)	1 202
<b>Total current tax (1)</b>	<b>(5 986)</b>	<b>(3 539)</b>
<b>Deferred taxes:</b>		
Tax effect on deferred tax adjustments related to previous years (2.a.)	(5 351)	(5 673)
Movements of temporary differences (2.b.)	849	2 695
Utilisation of previous years' losses (2.c.)	(7 489)	(8 618)
Utilisation of previous years' losses due to the new tax reform in Belgium (2.d.)	(4 492)	0
Deferred tax effect resulting from a change in tax rates (2.e.)	2 246	(306)
Deferred tax on current year's losses (2.f.)	4 016	4 281
<b>Total deferred tax (2)</b>	<b>(10 221)</b>	<b>(7 621)</b>
<b>Grand total (A)</b>	<b>(16 207)</b>	<b>(11 160)</b>

in thousand EUR		
Group Recticel	2017	2016
<b>Reconciliation of effective tax rate</b>		
Profit / (loss) before taxes	40 119	27 490
Minus income from associates	(2 390)	(16 927)
<b>Result before tax and income from associates</b>	<b>37 729</b>	<b>10 563</b>
<b>Tax at domestic income tax rate of 33.99% (B)</b>	<b>(12 824)</b>	<b>(3 590)</b>
<b>Tax effect of non-deductible expenses:</b>		
Expenses not deductible for tax purposes (2.A.a.)	(4 667)	(5 567)
Other	(2 050)	(4 807)
<b>Tax effect of tax-exempt revenues:</b>		
Tax deductible expenses and non-taxable financial and other income	3 539	2 916
Other	1 680	555
Deferred tax effect resulting from a change in tax rates	2 246	(306)
Deferred tax effect resulting from the new tax reform in Belgium	(4 492)	0
Tax effect of current and deferred tax adjustments related to prior years (2.A.b.)	(3 732)	(4 778)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1 339	(150)
Tax effect of notional interest deduction	29	538
Reversal of valuation allowance on deferred tax assets and tax assets not recognised (2.A.c.)	2 725	4 029
<b>Tax expense and effective tax rate for the year (A)</b>	<b>(16 207)</b>	<b>(11 160)</b>

in thousand EUR		
Group Recticel	2017	2016
<b>Deferred tax income (expense) recognised directly in equity</b>		
Impact of IAS 19R on equity	483	2 160
Impact of movements in exchange rates	(57)	30
On effective portion of changes in fair value of cash flow hedges	(776)	631
<b>Total</b>	<b>(350)</b>	<b>2 821</b>

The global income tax charges amount to EUR -16.2 million and are composed of two elements:

1. The current tax charge recognized in the profit and loss account amounts to EUR -6.0 million against a tax charge of EUR -3.6 million in 2016.  
The tax mentioned in the cash flow statement of EUR -5.7 million represents the amount of tax effectively paid during the exercise.
2. A deferred tax charge recognized in the profit and loss account of EUR -10.2 million against EUR -7.6 million in 2016.

The deferred taxes of EUR -10.2 million is mainly explained by:

- a) A tax effect on deferred tax adjustment related to previous years (EUR -5.4 million against EUR -5.7 million) resulting from regularizations between the first corporate tax estimates prepared at closing and the actual corporate tax charge which is determined with an average delay of 12-24 months after the year-end closing.
- b) Movements of temporary differences (EUR +0.8 million against EUR +2.7 million in 2016) resulting mainly from the net impact of valuation allowances of deferred tax assets recognised in the past. The main impact in 2017 results from (i) adjustments of notional interest deductions in RIS n.v. due to the expiration date in the utilisation of deferred tax losses in the past for EUR -4.6 million, (ii) adjustments of tax losses due to the expiration date in The Netherlands for EUR -1.6 million and (iii) a positive correction in Recticel n.v. due to the adjustments on the consumption of deferred tax assets related to the final outcome with the central purchase organisation (for chemicals) in Germany regarding transfer pricing regularisations with the tax authorities initiated in 2016 for EUR 2.7 million.
- c) The increase in the utilization of previous years' tax losses (EUR -7.5 million against EUR -8.6 million in 2016) is mainly explained by the consumption of deferred tax assets recognised in the past for companies which became taxable in the current tax year; mainly the United Kingdom (EUR -3.5 million), Belgium (EUR -2.7 million) and Germany (EUR -1.0 million).
- d) The effect of the new tax reform in Belgium (EUR -4.5 million).
- e) The effect of changes in tax rates on deferred taxes amounts to EUR 2.2 million.
- f) The level of the deferred tax of current year resulting from tax losses which have been generated for EUR 4.0 million. The level of deferred tax expenses of the current year is comparable to that of the previous year.

2.A. The difference of EUR -3.4 million between the effective tax expenses for the year (EUR -16.2 million) and the theoretical tax calculation (EUR -12.8 million), is mainly explained by the following factors:

- a) non-deductible expenses: EUR -4.6 million, mainly related to taxable differences for EUR -1.0 million and non-deductible expenses of EUR -3.6 million.;
- b) EUR -3.7 million are resulting from the combined effect of:

The expiration date in the utilisation of deferred tax assets recognised in the past:

- Belgium: Notional interest deductions carryforward of prior years of RIS n.v. for EUR -4.6 million
- The Netherlands: Tax loss carryforward for EUR -1.6 million.

Adjustments of previous years:

- Belgium: Adjustments on consumption of deferred tax assets related to the final outcome with the central purchase organisation (for chemicals) in Germany of the transfer pricing regularisations with the tax authorities initiated in 2016 for EUR 2.7 million.
- Germany: correction of the tax losses related to the previous year for EUR 0.4 million.

- c) The net reversal of valuation allowances : EUR 2.7 million resulting from status update of deferred tax assets situation (defined limit of time for use or reassessment of potential use) mainly in RIS nv related to the corrections of NID expiration date for EUR 4.6 million, in Germany (EUR 1.5 million), Czech Republic (EUR -0.8 million), in France (EUR -0.7 million), in The Netherlands (EUR -0.4 million), Austria (EUR -0.8 million) and Spain (EUR -0.3 million).

## 2. Deferred tax

in thousand EUR

Group Recticel	31 DEC 2017		31 DEC 2016	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
<b>Recognised deferred tax assets and liabilities</b>				
Intangible assets	12 370	(832)	12 406	(889)
Property, plant & equipment	23 937	(18 433)	25 094	(19 145)
Investments	0	(1 197)	0	(1 152)
Inventories	698	(528)	654	(719)
Receivables	485	(3 031)	1 237	(1 201)
Cash flow hedges (equity)	117	0	897	0
Other current assets	628	0	764	0
Pension provisions	14 538	0	14 090	(102)
Other provisions	6 055	(5 839)	6 412	(5 896)
Other liabilities	1 248	(6 524)	2 053	(4 322)
Notional interest deduction	4 550	0	9 182	0
Tax loss carry-forwards/ Tax credits	162 388	0	171 347	0
<b>Total</b>	<b>227 014</b>	<b>(36 384)</b>	<b>244 136</b>	<b>(33 426)</b>
Valuation allowance <sup>(1)</sup>	(173 602)	0	(183 006)	0
Set-off <sup>(2)</sup>	(27 171)	27 171	(23 310)	23 310
<b>Total (as provided on the balance sheet)</b>	<b>26 241</b>	<b>(9 213)</b>	<b>37 820</b>	<b>(10 116)</b>

<sup>(1)</sup> The variation of EUR +9.4 million (EUR 173.6 million versus EUR 183.0 million) is mainly explained by a valuation allowance of EUR +2,7 million, by an effect on tax rate changes of EUR +6.0 million and by an effect on equity of EUR +0.7 million related to pensions under IAS19R.

<sup>(2)</sup> According to IAS 12 (Income Taxes), deferred tax assets and deferred tax liabilities should, under certain conditions, be offset if they relate to income taxes levied by the same taxation authority.

Tax loss carry-forward by expiration date:

in thousand EUR

Group Recticel	2017	2016
One year	15 297	15 439
Two years	4 391	16 930
Three years	68 391	8 077
Four years	4 078	3 645
Five years and thereafter	139 760	207 041
Without time limit	360 493	366 662
<b>Total</b>	<b>592 410</b>	<b>617 794</b>

Deferred tax assets recognised and unrecognised by the Group apply to the following elements as at **31 December 2017**:

in thousand EUR

Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	UNRECOGNISED DEFERRED TAX ASSETS	GROSS AMOUNT OF UNRECOGNISED TAX LOSSES
Tax losses carried forward (*)	162 388	32 636	129 752	460 142
Notional interest deductions (*)	4 550	0	4 550	13 386
Property, plant and equipment	23 937	3 628	20 309	63 128
Pension provisions	14 538	6 830	7 708	24 635
Other provisions	6 057	2 106	3 951	12 906
Other temporary differences	15 544	8 212	7 332	26 462
<b>Total</b>	<b>227 014</b>	<b>53 412</b>	<b>173 602</b>	<b>600 659</b>

(\*) As of 31/12/2017, deferred tax assets and notional interests deductions of EUR 32.6 million (2016: EUR 37.8 million) are recognized out of EUR 592.4 million (2016: EUR 617.8 million) tax losses carryforward. These deferred tax assets represent income likely to be realisable in the foreseeable future.

Deferred tax assets recognised and unrecognised by the Group apply to the following elements as at **31 December 2016**:

	in thousand EUR			
<b>Group Recticel</b>	<b>TOTAL POTENTIAL DEFERRED TAX ASSETS</b>	<b>RECOGNISED DEFERRED TAX ASSETS</b>	<b>UNRECOGNISED DEFERRED TAX ASSETS</b>	<b>GROSS AMOUNT OF UNRECOGNISED TAX LOSSES</b>
Tax losses carried forward (*)	171 346	37 819	133 527	460 904
Notional interest deductions (*)	9 182	0	9 182	27 013
Property, plant and equipment	25 094	3 995	21 099	64 358
Pension provisions	14 090	7 059	7 031	21 463
Other provisions	6 412	2 385	4 027	12 301
Other temporary differences	18 012	9 872	8 140	27 422
<b>Total</b>	<b>244 136</b>	<b>61 130</b>	<b>183 006</b>	<b>613 461</b>

(\*) As of 31/12/2016, deferred tax assets and notional interests deductions of EUR 37.8 million (2015: EUR 46.7 million) are recognized out of EUR 617.8 million (2015: EUR 649.8 million) tax losses carryforward. These deferred tax assets represent income likely to be realisable in the foreseeable future.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liabilities have been recognised on undistributed retained earnings of subsidiaries, associates and joint ventures, as the impact is not material.

## II.4.6. Dividends

Amounts recognised as distributions to equity holders in the period.

Dividend for the period ending 31 December 2016 of EUR 0.18 (2015: EUR 0.14) per share.

Proposed dividend for the period ending 31 December 2017 of EUR 0.22 per share, or in total for all shares outstanding EUR 12,050,799 (2016: EUR 9,731,253.60), including the portion attributable to the treasury shares.

The proposed dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## II.4.7. Basic earnings per share

### From continuing and discontinuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

<b>Group Recticel</b>	<b>2017</b>	<b>2016</b>
<b>Net profit (loss) for the period (in thousand EUR)</b>	<b>23 913</b>	<b>16 330</b>
Net profit (loss) from continuing operations	23 913	16 330
Net profit (loss) from discontinuing operations	0	0
<b>Weighted average shares outstanding</b>		
Ordinary shares on 01 January (excluding own shares bought back)	53 735 720	53 404 808
Exercise of warrants	713 837	330 912
Ordinary shares on 31 December (excluding own shares bought back)	54 449 557	53 735 720
<b>Weighted average ordinary shares outstanding</b>	<b>54 110 396</b>	<b>53 504 432</b>

	in EUR	
<b>Group Recticel</b>	<b>2017</b>	<b>2016</b>
Basic earnings per share	0.44	0.31
Basic earnings per share from continuing operations	0.44	0.31
Basic earnings per share from discontinuing operations	0.00	0.00

## II.4.8. Diluted earnings per share

in thousand EUR

Group Recticel	2017	2016
Computation of the diluted earnings per share :		
<b>Dilutive elements</b>		
Net profit (loss) from continuing operations	23 913	16 330
Convertible bond <sup>(2)</sup>	791	1 341
<b>Profit (loss) attributable to ordinary equity holders of the parent entity including assumed conversions</b>	<b>24 704</b>	<b>17 671</b>
<b>Weighted average ordinary shares outstanding</b>		
Stock option plans - warrants <sup>(1)</sup>	318 464	116 657
Convertible bond <sup>(2)</sup>	3 512 841	6 022 013
<b>Weighted average shares for diluted earnings per share</b>	<b>57 941 701</b>	<b>59 643 102</b>

Group Recticel	2017	2016
<b>Diluted earnings per share</b>	<b>0.43</b>	<b>0.30</b>
Diluted earnings per share from continuing operations	0.43	0.30
Diluted earnings per share from discontinuing operations	0.00	0.00

	2017	2016
<b>Anti-dilutive elements</b>		
Impact on net profit from continuing operations		
Convertible bond <sup>(2)</sup>	0	0
Impact on weighted average ordinary shares outstanding		
Stock option plan - warrants - "out-of-the-money" <sup>(1)</sup>	66 691	897 121
Convertible bond <sup>(2)</sup>	0	0

<sup>(1)</sup> Per 31 December 2017, all warrant plans as from December 2012 were in-the-money. The remaining warrant plans were out of the money and disclosed as anti-dilutive.

<sup>(2)</sup> Per 31 December 2017, the convertible bond was no longer outstanding, therefore only a pro rata in line with guidance has been considered for the computation. The bond was fully repaid on 23 July 2017.

## II.5. Balance sheet

### II.5.1. Intangible assets

For the year ending 2017:

						in thousand EUR
Group Recticel	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL
<b>At the end of the preceding period</b>						
Gross book value	14 296	47 318	8 507	328	5 928	76 377
Accumulated amortisation	(12 431)	(35 088)	(8 494)	(282)	(143)	(56 438)
Accumulated impairment	0	(6 303)	0	0	(1 531)	(7 834)
<b>Net book value at the end of the preceding period</b>	<b>1 865</b>	<b>5 927</b>	<b>13</b>	<b>47</b>	<b>4 253</b>	<b>12 105</b>
<b>Movements during the year:</b>						
Acquisitions, including own production	19	201	(0)	0	2 960	3 180 <sup>(1)</sup>
Impairments	0	0	0	0	0	0
Expensed amortisation	(757)	(1 883)	(16)	(19)	(109)	(2 785)
Sales and scrapped	0	(32)	0	0	(121)	(153) <sup>(2)</sup>
Transfers from one heading to another	318	1 705	3	(8)	(2 055)	(37)
Exchange rate differences	47	(42)	0	0	7	13
<b>At the end of the current period</b>	<b>1 492</b>	<b>5 876</b>	<b>0</b>	<b>19</b>	<b>4 936</b>	<b>12 323</b>
Gross book value	14 411	48 720	9 574	260	6 716	79 682
Accumulated amortisation	(12 920)	(36 544)	(9 574)	(241)	(249)	(59 528)
Accumulated impairment	0	(6 300)	0	0	(1 531)	(7 831)
<b>Net book value at the end of the period</b>	<b>1 491</b>	<b>5 876</b>	<b>0</b>	<b>19</b>	<b>4 936</b>	<b>12 323</b>
Useful life (in years)	3-5	3-10	5-10	5 maximum	n.a.	
<b>Acquisitions</b>			<b>Disposals</b>			
Cash-out on acquisitions of intangible assets	(3 124)				Cash-in from disposals of intangible assets	107
Acquisitions included in working capital	(56)				Disposals included in working capital	45
Total acquisitions of intangible assets <sup>(1)</sup>	(3 180)				Total disposals of intangible assets <sup>(2)</sup>	153

## For the year ending 2016:

						in thousand EUR
Group Recticel	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL
<b>At the end of the preceding period</b>						
Gross book value	15 346	46 259	8 631	337	6 853	77 426
Accumulated amortisation	(14 117)	(33 817)	(8 597)	(279)	0	(56 810)
Accumulated impairment	(11)	(6 363)	0	0	(831)	(7 205)
<b>Net book value at the end of the preceding period</b>	<b>1 218</b>	<b>6 079</b>	<b>34</b>	<b>58</b>	<b>6 022</b>	<b>13 411</b>
<b>Movements during the year:</b>						
Acquisitions, including own production	0	157	0	13	1 958	2 128 <sup>(1)</sup>
Impairments	0	0	0	0	(700)	(700)
Expensed amortisation	(666)	(1 955)	(21)	(24)	(143)	(2 807)
Sales and scrapped	0	(2)	0	0	0	(2) <sup>(2)</sup>
Transfers from one heading to another	1 312	1 745	0	0	(2 882)	176
Exchange rate differences	0	(98)	(0)	(0)	(3)	(101)
<b>At the end of the current period</b>	<b>1 865</b>	<b>5 927</b>	<b>13</b>	<b>47</b>	<b>4 253</b>	<b>12 104</b>
Gross book value	14 296	47 318	8 507	328	5 928	76 377
Accumulated amortisation	(12 431)	(35 088)	(8 494)	(282)	(143)	(56 438)
Accumulated impairment	0	(6 303)	0	0	(1 531)	(7 834)
<b>Net book value at the end of the period</b>	<b>1 865</b>	<b>5 927</b>	<b>13</b>	<b>47</b>	<b>4 253</b>	<b>12 104</b>
Useful life (in years)	3-5	3-10	5-10	5 maximum	n.a.	
<b>Acquisitions</b>			<b>Disposals</b>			
Cash-out on acquisitions of intangible assets	(3 060)				Cash-in from disposals of intangible assets	95
Acquisitions included in working capital	932				Disposals included in working capital	(93)
Total acquisitions of intangible assets <sup>(1)</sup>	(2 128)				Total disposals of intangible assets <sup>(2)</sup>	2

In **2017**, the total acquisition of intangible assets and own production of intangible assets amounted to EUR 3.2 million, compared to EUR 2.1 million the year before. The investments in intangible assets in 2017 mainly related to "Assets under construction and advance payments" for new developments and licence costs related to the roll-out of the SAP IT platform (EUR 2.0 million) and capitalised development costs for Automotive Interiors projects (EUR 0.5 million).

In **2016**, the total acquisition of intangible assets and own production of intangible assets amounted to EUR 2.1 million, compared to EUR 3.4 million the year before. The investments in intangible assets in 2016 mainly related to "Assets under construction and advance payments" for new developments and licence costs related to the roll-out of the SAP IT platform (EUR 1.8 million) and capitalised development costs for Automotive-Interiors projects (EUR 0.3 million).

In December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a joint credit facility agreement ('club deal') amounting to EUR 175 million. Under this club deal, Recticel s.a./n.v. and/or its affiliates have pledged their main trademarks and patents in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs. The tenor of this 'club deal' facility has been extended in February 2016 for another five years. It currently will mature in February 2021.



## II.5.2. Property, plant & equipment

For the year ending 2017:

in thousand EUR							
Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
<b>At the end of the preceding period</b>							
Gross value	181 487	498 464	24 912	35 319	5 076	18 307	763 565
Accumulated depreciation	(114 877)	(385 022)	(20 803)	(15 805)	(1 325)	(79)	(537 910)
Accumulated impairments	(1 302)	(7 059)	(3)	(76)	(984)	(24)	(9 447)
<b>Net book value at the end of the preceding period</b>	<b>65 308</b>	<b>106 383</b>	<b>4 106</b>	<b>19 438</b>	<b>2 767</b>	<b>18 205</b>	<b>216 207</b>
<b>Movements during the year</b>							
Acquisitions, including own production	464	4 936	770	9 300	7	46 675	62 152 <sup>(1)</sup>
Impairments	0	(6 868)	0	0	0	(141)	(7 009)
Expensed depreciation	(3 771)	(20 080)	(1 846)	(701)	(22)	(158)	(26 578)
Sales and scrapped	(8 827)	(3 330)	(72)	0	0	(2 395)	(14 623) <sup>(2)</sup>
Transfers from one heading to another	2 993	35 052	1 248	228	(2 663)	(39 000)	(2 142)
Exchange rate differences	(26)	(929)	(68)	(0)	(3)	(197)	(1 222)
<b>At the end of the period</b>	<b>56 142</b>	<b>115 165</b>	<b>4 139</b>	<b>28 265</b>	<b>86</b>	<b>22 987</b>	<b>226 783</b>
Gross value	174 573	509 343	25 562	44 751	1 146	23 248	778 622
Accumulated depreciation	(117 173)	(381 437)	(21 422)	(16 410)	(1 060)	(240)	(537 741)
Accumulated impairments	(1 258)	(12 741)	(2)	(76)	0	(21)	(14 098)
<b>Net book value at the end of the period</b>	<b>56 142</b>	<b>115 165</b>	<b>4 139</b>	<b>28 265</b>	<b>86</b>	<b>22 987</b>	<b>226 783</b>
<b>Acquisitions</b>				<b>Disposals</b>			
Cash-out on acquisitions of tangible assets	(61 061)			Cash-in from disposals of tangible assets			12 746
Acquisitions shown in working capital	(1 091)			Disposals shown in working capital			1 878
Total acquisitions of tangible assets <sup>(1)</sup>	(62 152)			Total disposals of tangible assets <sup>(2)</sup>			14 623

For the year ending 2016:

in thousand EUR							
Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
<b>At the end of the preceding period</b>							
Gross value	185 070	519 470	24 892	35 340	5 071	20 144	789 988
Accumulated depreciation	(119 699)	(413 237)	(20 410)	(14 247)	(1 292)	(36)	(568 920)
Accumulated impairments	(697)	(9 478)	(9)	(81)	(984)	(136)	(11 386)
<b>Net book value at the end of the preceding period</b>	<b>64 673</b>	<b>96 755</b>	<b>4 473</b>	<b>21 013</b>	<b>2 795</b>	<b>19 972</b>	<b>209 681</b>
<b>Movements during the year</b>							
Acquisitions, including own production	289	4 439	670	503	76	36 282	42 259 <sup>(1)</sup>
Impairments	(682)	(287)	(3)	0	0	0	(972)
Expensed depreciation	(3 622)	(20 399)	(1 786)	(1 599)	(98)	(78)	(27 582)
Sales and scrapped	(3 921)	(285)	(14)	0	(6)	(8)	(4 233) <sup>(2)</sup>
Transfers from one heading to another	8 762	28 278	864	(479)	0	(37 616)	(191)
Exchange rate differences	(191)	(2 118)	(99)	0	(1)	(346)	(2 756)
<b>At the end of the period</b>	<b>65 308</b>	<b>106 383</b>	<b>4 106</b>	<b>19 438</b>	<b>2 767</b>	<b>18 205</b>	<b>216 207</b>
Gross value	181 487	498 464	24 912	35 319	5 076	18 307	763 565
Accumulated depreciation	(114 877)	(385 022)	(20 803)	(15 805)	(1 325)	(79)	(537 910)
Accumulated impairments	(1 302)	(7 059)	(3)	(76)	(984)	(24)	(9 447)
<b>Net book value at the end of the period</b>	<b>65 308</b>	<b>106 383</b>	<b>4 106</b>	<b>19 438</b>	<b>2 767</b>	<b>18 205</b>	<b>216 207</b>
<b>Acquisitions</b>				<b>Disposals</b>			
Cash-out on acquisitions of tangible assets	(40 552)			Cash-in from disposals of tangible assets			7 506
Acquisitions shown in working capital	(1 707)			Disposals shown in working capital			(3 273)
Total acquisitions of tangible assets <sup>(1)</sup>	(42 259)			Total disposals of tangible assets <sup>(2)</sup>			4 233

Total acquisition of tangible assets amounted to EUR 62.2 million, compared to EUR 42.3 million last year. The increase is mainly explained by the combination of (i) new investments made following the fire incident in the Automotive Interiors plant in Most (Czech Republic) and the development of Interiors activities in China, and (ii) the impact of the sale and lease-back of a Insulation plant in Belgium (EUR +9.3 million).

At 31 December **2017**, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 2.4 million (2016: EUR 6.7 million).

In **2017**, impairment losses recognized in profit and loss are mainly related to the replacement of the destroyed assets in Automotive Interiors following the fire incident in the plant in Most (Czech Republic) (EUR -6.7 million).

In **2016**, impairment losses recognized in profit and loss are related to idle equipment in Flexible Foams (France and United Kingdom) (EUR -0.5 million) and to a building in Bedding (Austria) (EUR -0.4 million).

In **2017**, 'Sales and scrapped' reflects (i) the sale and lease-back of a Insulation building in Belgium (EUR -8.8 million), (ii) the write-off of destroyed assets following the fire in the Interiors plant Most (EUR -3.3 million) and (iii) the sale of equipment in Interiors China (EUR -2.4 million).

In **2017**, 'reclassification held for sale' (EUR 2.6 million) relates to the building (Flexible Foams) in Legutiano (Spain).

As already stated under Intangible Assets, in December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a new joint credit facility agreement ('club deal') amounting to EUR 175 million. Under this club deal, Recticel s.a./n.v. and/or its affiliates have pledged their shares and/or their production sites in Belgium, Germany, France, the Netherlands and Sweden in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs. The tenor of this 'club deal' facility has been extended in February 2016 for another five years. It currently will mature in February 2021.

### II.5.3. Assets under financial lease

	in thousand EUR	
Group Recticel	31 DEC 2017	31 DEC 2016
Total land and buildings	28 259	19 424
Total plant, machinery & equipment	0	0
Total furniture and vehicles	6	14
<b>Total assets under financial lease</b>	<b>28 265</b>	<b>19 438</b>
Fixed assets held under financial lease - Gross	44 751	35 319
Fixed assets held under financial lease - Depreciation	(16 410)	(15 805)
Fixed assets held under financial lease - Impairments	(76)	(76)
<b>Fixed assets held under financial lease</b>	<b>28 265</b>	<b>19 438</b>

## II.5.4. Subsidiaries, joint ventures and associates

Unless otherwise indicated, the percentage shareholdings shown below are identical to the percentage voting rights.

### 1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD

		% shareholding in	
		31 DEC 2017	31 DEC 2016
<b>Austria</b>			
Sembella GmbH	Aderstrasse 35 - 4850 Timelkam	100.00	100.00
<b>Belgium</b>			
s.c. sous forme de s.a. Balim b.v. onder vorm van n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Finapal n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Recticel International Services n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Recticel UREPP Belgium n.v.	Damstraat 2 - 9230 Wetteren	100.00	100.00
<b>China</b>			
Ningbo Recticel Automotive Parts Co. Ltd.	525, Changxing Road, (C Area of Pioneer Park) Jiangbei District, Ningbo Municipality	100.00	100.00
Recticel Foams (Shanghai) Co Ltd	525, Kang Yi Road - Kangyiao Industrial Zone, 201315 Shanghai	100.00	100.00
Shenyang Recticel Automotive Parts Co Ltd	12, Hangtian Road - Dongling District, 110043 Shenyang City	100.00	100.00
Shenyang Recticel II Automotive Parts Co Ltd	70, Dawang Road - Dadong District, 11043 Shenyang City	100.00	-
Beijing Recticel Automotive parts CO Ltd	32A, Block Yi, No. 15, Jingsheng Nan Si Jie, Jingjiao Science	100.00	100.00
Langfang Recticel Automotive Parts Co Ltd	10, Anjin Road - Anci Industrial Zone, 065000 Langfang City	100.00	100.00
Changchun Recticel Automotive Parts Co Ltd.	Intersection of C19 Rd. and C43 St. in Automotive industry Development Zone; 13000 Changchun, Jilin Province	100.00	100.00
Recticel Foam (Wuxi) Co Ltd	No 30, Wanquan Road, Xishan Economic and Technological Development Zone, Wuxi City	100.00	-
<b>Czech Republic</b>			
RAI Most s.r.o.	Moskevská 3055 - Most	100.00	100.00
Recticel Czech Automotive s.r.o.	Chudrice-Osada 144 - 418,25 Bilina	100.00	100.00
Recticel Interiors CZ s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav	100.00	100.00
<b>Estonia</b>			
Recticel ou	Pune Tee 22 - 12015 Tallin	100.00	100.00
<b>Finland</b>			
Recticel oy	Nevantie 2, 45100 Kouvola	100.00	100.00
Recticel Insulation oy	Nevantie 2, 45100 Kouvola	100.00	-
<b>France</b>			
Recticel s.a.s.	7, rue du Fossé blanc, bâtiment C2 - 92622 Gennevilliers	100.00	100.00
Recticel Insulation s.a.s.	7, rue du Fossé blanc, bâtiment C2 - 92622 Gennevilliers	100.00	100.00
<b>Germany</b>			
Recticel Automobilsysteme GmbH	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Dämmsysteme GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	-	(a) 100.00
Recticel Deutschland Beteiligungs GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Grundstücksverwaltung GmbH	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Dämmsysteme GmbH (formerly Recticel Handel GmbH)	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	(b) 100.00
Recticel Schlafkomfort GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Verwaltung GmbH & Co. KG	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
<b>Luxembourg</b>			
Recticel RE s.a.	23, Avenue Monterey, L-2163 Luxembourg	100.00	100.00
Recticel Luxembourg s.a.	23, Avenue Monterey, L-2163 Luxembourg	100.00	100.00
<b>India</b>			
Recticel India Private Limited	407, Kapadia Chambers, 599 JSS Road, Princess Street, Marine Lines (East), 400002 Mumbai Maharashtra	100.00	100.00
<b>Morocco</b>			
Recticel Mousse Maghreb s.à.r.l.	31 Avenue Prince Héritier, Tanger	100.00	100.00
Recticel Maroc s.à.r.l.a.u.	Ilôt K, Module 4, Atelier 2, Zone Franche d'Exportation de Tanger	100.00	-
<b>The Netherlands</b>			
Enipur Holding B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel Holding Noord B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel International B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00

(a) Merged with Recticel Handel GmbH on 16 June 2017

(b) Recticel Handel GmbH has been renamed Recticel Dämmsysteme GmbH as from 16 June 2017

## 1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD (continued)

		% shareholding in	
		31 DEC 2017	31 DEC 2016
<b>Norway</b>			
Recticel AS	Øysand - 7224 Mehus	100.00	100.00
<b>Poland</b>			
Recticel Sp. z o.o.	Ul. Graniczna 60, 93-428 Lodz	100.00	100.00
<b>Romania</b>			
Recticel Bedding Romania s.r.l.	Miercurea Sibiului, DN1, FN, ground floor room 2 3933 Sibiu County	100.00	100.00
<b>Sweden</b>			
Recticel AB	Södra Storgatan 50 b.p. 507 - 33228 Gislaved	100.00	100.00
<b>Spain</b>			
Recticel Iberica s.l.	Ci. Catalunya 13, Pol. Industrial Cam Ollersanta Perpetua de Mogoda 08130	100.00	100.00
<b>Switzerland</b>			
Recticel Bedding (Schweiz) AG	Bettenweg 12 Postfach 65 - 6233 Büron - Luzern	100.00	100.00
<b>Turkey</b>			
Recticel Teknik Sünger İzolasyon Sanayi ve Ticaret a.s.	Orta Mahalle, 30 - 34956 Istanbul	100.00	100.00
<b>United Kingdom</b>			
Gradient Insulations (UK) Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Recticel (UK) Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Recticel Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
<b>United States of America</b>			
Recticel Interiors North America Llc.	5600 Bow Point Drive - MI 48346-3155 Clarkston	-	(c) 100.00
Recticel Urepp North America Inc.	Metro North Technology Park - Atlantic Boulevard 1653 - MI 48326 Auburn Hills	100.00	100.00
The Soundcoat Company Inc.	Burt Drive 1 PO Box 25990 - NY 11729 Deer Park County of Suffolk	100.00	100.00

(c) Recticel Interiors North America Llc has been merged with Recticel Urepp North America Inc on 01 January 2018

### Significant restrictions to realize assets or settle liabilities

In the framework of the EUR 175 million credit facility agreement ('club deal') dated 09 December 2011, as amended on 25 February 2016, Recticel s.a./n.v. provided the following guarantees to its banks:

- a mortgage mandate on the trading fund;
- a mortgage mandate on different production sites of the Recticel Group on property located in Belgium, Germany and Sweden;
- a mortgage over property located in Kesteren (The Netherlands);
- a pledge on the shares it holds in various group companies.

On 31 January 2018 the banks participating in the EUR 175 million 2016-2021 Credit Facility consented with the discharge and release of all these securities previously granted.

Recticel s.a./n.v. has provided bank guarantees for (i) an aggregate amount of EUR 2.0 million in favour of OVAM regarding the sanitation and rehabilitation projects on some of its sites and/or sites of its subsidiaries, and (ii) an aggregate amount of EUR 0.8 million in favour of the Walloon Département du Sol et des Déchets - DSD.

Recticel s.a./n.v. also provides guarantees and comfort letters to and/or on behalf of various direct or indirect subsidiaries, of which the material (> EUR 1 million) ones are:

- on behalf of Recticel Iberica S.L.: EUR 1.75 million;
- on behalf of Recticel Bedding Romania s.r.l.: EUR 1.4 million;

- on behalf of Recticel Ltd.: EUR 18.4 million, of which an estimated EUR 11.7 million for the pension fund;
- on behalf of Recticel Verwaltung GmbH: EUR 5.0 million;
- on behalf of Recticel s.a.s. in the framework of a real estate lease: EUR 13.0 million;
- on behalf of Recticel Teknik Sünger İzolasyon Sanayi ve Ticaret a.s.: EUR 3.9 million;
- on behalf of Recticel AB: EUR 1.9 million;
- on behalf of Recticel India Private Limited: EUR 1.8 million;
- on behalf of Sembella GmbH (Austria);
- on behalf of Recticel Bedding Schweiz AG: EUR 1.8 million; and
- on behalf of Ningbo Recticel Automotive Parts Co. Ltd: EUR 8.3 million.

Moreover Recticel s.a./n.v. guarantees its subsidiaries Recticel Interiors North America LLP and Recticel North America Inc., in the framework of the revised agreements with the Johnson Controls Group following the settlement by which the said subsidiaries no longer fall under the Chapter 11 procedure (April 2010).

Recticel s.a./n.v. also guarantees in favour of Daimler AG the correct execution of all running Mercedes programs of the Interiors division.

As stated in the club deal, the maximum dividend authorised for distribution, excluding the portion attributable to the treasury shares, amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.

## 2. JOINT VENTURES CONSOLIDATED USING THE EQUITY METHOD

		% shareholding in	
		31 DEC 2017	31 DEC 2016
<b>Austria</b>			
Eurofoam GmbH	Greinerstrasse 70 - 4550 Kremsmünster	50.00	50.00
<b>Belgium</b>			
s.a. Proseat n.v.	Olympiadenlaan 2 - 1140 Evere	51.00	51.00
<b>Bulgaria</b>			
Eurofoam-BG o.o.d.	Raiko Aleksiev Street 40, block n° 215-3 Izgrev district, Sofia	50.00	50.00
<b>Czech</b>			
Eurofoam Bohemia s.r.o.	Osada 144, Chuderic - 418 25 Bilina	50.00	50.00
Proseat Mlada Boleslav s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav	51.00	51.00
<b>France</b>			
Proseat s.a.s.	Avenue de Verdun, 71, 77470 Trilport	51.00	51.00
<b>Germany</b>			
Eurofoam Deutschland GmbH Schaumstoffe	Hagenauer Strasse 42 – 65203 Wiesbaden	50.00	50.00
KFM-Schaumstoff GmbH	Rosenauer Strasse, 28 - 96487 Dörfles-Esbach	50.00	50.00
Proseat GmbH & Co. KG	Hessenring 32 - 64546 Mörfelden-Walldorf	51.00	51.00
Proseat Schwarzheide GmbH	Schipkauer Strasse 1 - 01987 Schwarzheide	51.00	51.00
Proseat Verwaltung GmbH	Hessenring 32 - 64546 Mörfelden-Walldorf	51.00	51.00
<b>Hungary</b>			
Eurofoam Hungary Kft.	Miskolc 16 - 3792 Sajobabony	50.00	50.00
<b>Poland</b>			
Eurofoam Polska Sp. z o.o.	ul Szczawinska 42 - 95-100 Zgierz	50.00	50.00
Proseat Spolka. z o.o.	ul Miedzzyrzecka, 16 - 43-382, Bielsko-Biala	51.00	51.00
<b>Romania</b>			
Eurofoam s.r.l.	Str. Garii nr. 13 Selimbar 2428 - O.P.8 C.P. 802 - Jud. Sibiu	50.00	50.00
<b>Russian Federation</b>			
Eurofoam Kaliningrad	Kaliningrad District, Guierwo Region , 238352 Uszakowo	50.00	50.00
<b>Slovak Republic</b>			
Poly	Dolné Rudiny 1 - SK-01001 Zilina	50.00	50.00
<b>Serbia</b>			
Eurofoam Sunder d.o.o.	Vojvodanska Str. 127 - 21242 Budisava	50.00	50.00
<b>Slovenia</b>			
Turvac d.o.o.	Primorska 6b, 3325 Šoštanj	50.00	50.00
<b>Spain</b>			
Proseat Foam Manufacturing SLU	Carretera Navarcles s/n, Poligono Industrial Santa Ana II - Santpedor (08251 Barcelona)	51.00	51.00
<b>United Kingdom</b>			
Proseat LLP	Unit A, Stakehill Industrial Estate, Manchester, Lancashire	51.00	51.00

Apart of having the approval from the other joint venture partners to distribute dividends, there are no specific restrictions on the ability of joint ventures to transfer funds to Recticel in the form of cash dividends, or to repay loans or advances made by Recticel.

Recticel s.a./n.v. also provides guarantees and comfort letters to and/or on behalf of various direct or indirect joint ventures, of which the material (> EUR 1 million) ones are:

- on behalf of Eurofoam GmbH and subsidiaries: EUR 75 million;
- on behalf of Proseat NV and Proseat Sp.z.o.o.: EUR 5.1 million;
- on behalf of Proseat GmbH & Co KG: EUR 9.9 million.

The Group has no legal nor contractual obligations to support net asset deficiencies of a joint venture for an amount higher than its stake of interest.

### 3. ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

		% shareholding in	
		31 DEC 2017	31 DEC 2016
<b>Czech Republic</b>			
B.P.P. spol s.r.o.	ul. Hájecká 11 – 61800 Brno	25.68	25.68
Eurofoam TP spol.s.r.o.	ul. Hájecká 11 – 61800 Brno	40.00	40.00
Sinfo	Souhradi 84 - 391 43 Mlada Vozice	25.50	25.50
<b>Italy</b>			
Orsafoam s.p.a.	Via A. Colombo, 60 21055 Gorla Minore (VA)	33.00	33.00
<b>Lithuania</b>			
UAB Litfoam	Radziunu Village, Alytus Region	30.00	30.00
<b>Poland</b>			
Caria Sp. z o.o.	ul. Jagiellonska 48 - 34 - 130 Kalwaria Zebrzydowska	25.50	25.50
PPHIU Kerko Sp. z o.o.	Nr. 366 - 36-073 Strazow	25.86	25.86
<b>Romania</b>			
Flexi-Mob Trading s.r.l.	Interioara Street, 3 Pol. II, Inc. Federalcoop, Nr. 1, Constanta	25.00	25.00
<b>Ukraine</b>			
Porolon Limited	Grodoocka 357 - 290040 - Lviv	47.50	47.50

Apart of having the approval from the controlling shareholder(s) to distribute dividends, there are no specific restrictions on the ability of associates to transfer funds to Recticel in the form of cash dividends, or to repay loans or advances made by Recticel.

#### 4. NON-CONSOLIDATED ENTITIES

Some subsidiaries more than 50% controlled are not consolidated because they are (still) non-material. As soon as they have reached a sufficient size, however, they will be included in the scope of consolidation.

		% shareholding in	
		31 DEC 2017	31 DEC 2016
<b>China</b>			
Recticel Shanghai Ltd	No. 518, Fute North Road, Waigaoqiao Free Trade Zone - 200131 Shanghai	100.00	100.00
<b>Japan</b>			
Inorec Japan KK	Imaika-Cho 1-36, Anjo-Shi	50.00	50.00
<b>Luxembourg</b>			
Recfin S.A.	412F, route d'Esch, L-2086 Luxembourg	100.00	100.00
<b>Romania</b>			
Eurofoam s.r.l. Baia Mare	Str. Margeanulin, 5 - 4800 Baia Mare	50.00	50.00
<b>Sweden</b>			
Nordflex A.B.	Box 507 - 33200 Gislaved	100.00	100.00

## II.5.5. Interests in joint ventures and associates

A list of the significant investments in joint ventures and associates is included in note II.5.4.

in thousand EUR		
Group Recticel	31 DEC 2017	31 DEC 2016
<b>At the end of the preceding period</b>	<b>82 389</b>	<b>73 196</b>
<b>Movements during the year</b>		
Actuarial gains/(losses) recognized in equity	(236) <sup>(1)</sup>	(552) <sup>(1)</sup>
Deferred tax relating to components of other comprehensive income	(131)	248
Exchange rate differences	912 <sup>(2)</sup>	(1 231) <sup>(2)</sup>
Group's share in the result of the period	2 390 <sup>(3)</sup>	16 927 <sup>(3)</sup>
Dividends distributed	(8 765) <sup>(4)</sup>	(7 522) <sup>(4)</sup>
Result transfer	(318)	(189)
Capital increase	0	1 512
<b>At the end of the period</b>	<b>76 241</b>	<b>82 389</b>

<sup>(1)</sup> In 2017 the actuarial losses relate to the impact of the lower discount rate under IAS19 pension liabilities

<sup>(2)</sup> Exchange rate differences relates mainly to the appreciation of the PLN (Eurofoam Polska and Proseat Poland)

<sup>(3)</sup> The lower income from joint ventures & associates is mainly explained by higher chemical raw material costs which could not be fully passed on to the market, and from a lower performance of Proseat (Automotive Seating) which was impacted by operational issues in one of its factories.

<sup>(4)</sup> In 2017 dividends distributed by the joint ventures relate solely to the Eurofoam group.

<sup>(1)</sup> In 2016 the actuarial losses relate to the impact of the lower discount rate under IAS19 pension liabilities

<sup>(2)</sup> Exchange rate differences relates mainly to GBP (Proseat UK) and PLN (Eurofoam Polska and Proseat Poland)

<sup>(3)</sup> Income from joint ventures & associates in 2016 is mainly explained by the good operational performance of respectively Proseat (Automotive Seating), Eurofoam (Flexible Foams) and Orsafoam (Flexible Foams).

<sup>(4)</sup> In 2016 dividends distributed by the joint ventures relate solely to the Eurofoam group.

Pro forma key figures for the **joint ventures**:

in thousand EUR						
Group Recticel	EUROFOAM		PROSEAT		TOTAL	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
<b>Aggregated figures</b>						
Non current assets	157 350	151 243	79 724	73 668	237 074	224 911
Cash and cash equivalents	3 341	9 182	25 020	17 989	28 361	27 171
Current assets	130 496	109 777	210 439	168 050	340 935	277 827
<b>Total assets</b>	<b>287 846</b>	<b>261 020</b>	<b>290 163</b>	<b>241 718</b>	<b>578 009</b>	<b>502 738</b>
Interest-bearing borrowings	(25 019)	(25 141)	(15 124)	(15 786)	(40 143)	(40 927)
Non current liabilities	(41 653)	(42 063)	(46 707)	(47 679)	(88 360)	(89 742)
Interest-bearing borrowings	(49 461)	(17 504)	(133 223)	(99 731)	(182 684)	(117 235)
Current liabilities	(101 555)	(70 383)	(193 828)	(143 015)	(295 383)	(213 398)
<b>Total liabilities</b>	<b>(143 208)</b>	<b>(112 446)</b>	<b>(240 535)</b>	<b>(190 694)</b>	<b>(383 743)</b>	<b>(303 140)</b>
<b>Net equity</b>	<b>144 638</b>	<b>148 574</b>	<b>49 628</b>	<b>51 024</b>	<b>194 266</b>	<b>199 598</b>
<b>Net contribution at 100% in the combined figures of the Group</b>						
<b>Revenues</b>	<b>410 779</b>	<b>378 218</b>	<b>291 122</b>	<b>262 751</b>	<b>701 901</b>	<b>640 969</b>
Amortization, Depreciation and Impairments	(9 227)	(8 071)	(6 109)	(6 358)	(15 337)	(14 428)
Total income taxes	(3 169)	(5 974)	(1 266)	(792)	(4 435)	(6 765)
<b>Profit or (loss) of the period</b>	<b>5 446</b>	<b>23 679</b>	<b>(4 204)</b>	<b>7 138</b>	<b>1 242</b>	<b>30 817</b>

Footnote:

- The above figures are not necessarily equal to those published by the joint venture companies. Variances may arise due to differences in the accounting rules and scope of consolidation.
- Recticel s.a./n.v. has issued (i) a comfort letter for EUR 7.5 million on behalf of the joint venture company Eurofoam GmbH (Austria/Germany) to cover a local bank loan, (ii) a EUR 5.1 million guarantee on behalf of the joint venture Proseat s.a./n.v. and Proseat sp.z.o.o. to cover a local bank loan, (iii) a EUR 3.9 million guarantee on behalf of the joint venture Proseat GmbH to cover two local lease agreements and (iv) a guarantee on behalf of the joint venture Proseat GmbH to cover a EUR 6.0 million credit line.
- Both Eurofoam and Proseat delivered a lower result primarily due to the negative impact of higher chemical raw material cost which couldn't be fully passed on to the market. In addition, Proseat encountered operational issues in one of its factories.



in thousand EUR

Group Recticel	EUROFOAM		PROSEAT	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
<b>Net equity (Group share)</b>	<b>72 319</b>	<b>74 287</b>	<b>25 309</b>	<b>26 021</b>
Goodwill	499	499	8 974	8 977
Intragroup eliminations	(5 895)	(5 883)	11 780	12 428
Investment in partnership	0	0	15 276	15 276
Deferred taxes	280	535	(453)	(381)
IAS 19 assumptions	(527)	(139)	0	0
Other	(2 217)	135	0	0
Investment in affiliates	(33 636)	(33 637)	(32 089)	(31 496)
<b>Carrying amount of interests in joint ventures</b>	<b>30 823</b>	<b>35 797</b>	<b>28 797</b>	<b>30 825</b>

The following key figures for the **associates** are shown on a 100% basis:

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Non current assets	38 455	38 259
Current assets	77 771	74 765
<b>Total assets</b>	<b>116 226</b>	<b>113 024</b>
Non current liabilities	(5 509)	(6 012)
Current liabilities	(63 542)	(62 354)
<b>Total liabilities</b>	<b>(69 051)</b>	<b>(68 366)</b>
<b>Net equity</b>	<b>47 175</b>	<b>44 658</b>
Revenues	130 537	117 337
<b>Profit or (loss) of the period</b>	<b>5 644</b>	<b>4 109</b>

in thousand EUR

Group Recticel	31 DEC 2017			31 DEC 2016		
	AGGREGATE COMPREHENSIVE INCOME FROM JOINT VENTURES	AGGREGATE COMPREHENSIVE INCOME FROM ASSOCIATES	TOTAL	AGGREGATE COMPREHENSIVE INCOME FROM JOINT VENTURES	AGGREGATE COMPREHENSIVE INCOME FROM ASSOCIATES	TOTAL
Result from continuing operations	758	1 632	2 390	15 480	1 447	16 927
Actuarial gains/(losses) on employee benefits	236	0	236	552	0	552
Deferred taxes on actuarial gains/(losses) on employee benefits	131	0	131	(248)	0	(248)
Foreign currency translation differences recycled in the income statement	16	0	16	(8)	0	(8)
Currency translation differences	(1 010)	(144)	(1 154)	329	26	355
<b>At the end of the period</b>	<b>131</b>	<b>1 488</b>	<b>1 619</b>	<b>16 106</b>	<b>1 473</b>	<b>17 580</b>

The group did not incur any contingent liabilities for which the probability of loss is more than remote in respect of its interests in associates or joint ventures.

## II.5.6. Non-current receivables

Group Recticel	in thousand EUR	
	31 DEC 2017	31 DEC 2016
Loans	5 976	6 053
Cash advances and deposits	727	758
Other receivables	1 270	1 510
Tax credits for research and development	6 831	5 538
<b>Total</b>	<b>14 804</b>	<b>13 860</b>

The item 'Loans' relates mainly to a loan to joint venture Proseat s.r.o. (EUR 4.1 million; 2016: EUR 3.9 million) and to loans provided by Recticel SAS, France (EUR 1.8 million; 2016: EUR 2.0 million).

The carrying amounts of these non-current receivables approximate the fair value since the interest rate is a variable rate in line with market conditions.

The maximum exposure to credit risk equals to the carrying amounts of these assets as recognized on the balance sheet.

There are no due but unpaid receivables, nor impairments on the outstanding receivables. There are no specific guarantees offered for the outstanding receivables.

The item 'Cash advances and deposits' is a significant item under 'Non-current receivables', consisting of the following:

Group Recticel	in thousand EUR	
	31 DEC 2017	31 DEC 2016
Rent	470	491
Supplies (water, electricity, telecom, waste treatment, ...)	120	223
Other	137	44
<b>Total</b>	<b>727</b>	<b>758</b>

## II.5.7. Inventories

in thousand EUR		
Group Recticel	31 DEC 2017	31 DEC 2016
Raw materials & supplies - Gross	60 993	54 521
Raw materials & supplies - Amounts written off	(4 390)	(4 567)
<b>Raw materials &amp; supplies</b>	<b>56 602</b>	<b>49 954</b>
Work in progress - Gross	9 468	9 789
Work in progress - Amounts written off	(354)	(220)
<b>Work in progress</b>	<b>9 114</b>	<b>9 569</b>
Finished goods - Gross	26 939	24 753
Finished goods - Amounts written off	(1 958)	(1 910)
<b>Finished goods</b>	<b>24 981</b>	<b>22 843</b>
Traded goods - Gross	6 343	6 091
Traded goods - Amounts written off	(401)	(302)
<b>Traded goods</b>	<b>5 942</b>	<b>5 789</b>
Down payments - Gross	269	310
Down payments - Amounts written off	0	0
<b>Down payments</b>	<b>269</b>	<b>310</b>
Contracts in progress - Gross	2 499	3 435
Contracts in progress - Amounts written off	0	0
<b>Contracts in progress</b>	<b>2 499</b>	<b>3 435</b>
<b>Total inventories</b>	<b>99 408</b>	<b>91 900</b>
Amounts written-off on inventories during the period	(5 672)	(2 491)
Amounts written-back on inventories during the period	2 989	3 403

In 2017, the amounts written-off on inventories include an impact from the fire incident in Most for EUR -1.9 million.

## II.5.8. Construction contracts

in thousand EUR		
Group Recticel	31 DEC 2017	31 DEC 2016
Contract revenues recognised over the period	22 303	24 297
Contract costs incurred plus recognised profits less recognised losses to date	10 559	13 728
Advance payments received	710	1 412

In the automotive activity, Recticel developed a polyurethane-based technology for the manufacturing of interior trim components. For optimum implementation of these two applications, based on the specifications given by its customers, Recticel ensures the manufacturing of the moulds with its own suppliers during the pre-operating phase, before starting production of components. At the end of this subcontracting process, the moulds are sold to the customer.

Considered as a long-term contract, the recognition of the costs and revenues of the 'moulds' activity is reflected in the accounts by reference to the stage of completion. Under the so-called 'percentage of completion' method, contract revenue is matched with the contract costs incurred in reaching the stage of completion.

## II.5.9. Trade receivables and other receivables

Group Recticel	in thousand EUR	
	31 DEC 2017	31 DEC 2016
Trade receivables	115 495	106 543
Accumulated amounts written-off on trade receivables	(4 560)	(5 037)
<b>Total trade receivables</b>	<b>110 935</b>	<b>101 506</b>
<b>Other receivables <sup>(1)</sup></b>	<b>39 330</b>	<b>26 768</b>
Derivatives (FX Forward contracts)	67	1 646
Loans carried at amortised cost	33 976	41 146
<b>Total financial assets <sup>(2)</sup></b>	<b>34 043</b>	<b>42 793</b>
<b>Subtotal <sup>(1)+(2)</sup></b>	<b>73 373</b>	<b>69 560</b>
<b>Total loans and receivables</b>	<b>184 308</b>	<b>171 066</b>

**Trade receivables** at the balance sheet date 2017 comprise amounts receivable from the sale of goods and services for EUR 110.9 million (2016: EUR 101.5 million).

This net amount of EUR 110.9 million consists of:

(i) gross trade receivables amounting to EUR 179.2 million (2016: EUR 174.0 million), after deduction of:

- EUR 17.5 million in credit notes still to be drawn (2016: EUR 11.4 million)
- EUR 71.4 million as a result of non-recourse factoring programmes in Belgium, France, Germany, the Netherlands and the United Kingdom (2016: EUR 75.1 million)
- EUR 4.6 million write-off of estimated irrecoverable amounts from the sale of goods (2016: EUR 5.0 million),

(ii) EUR 19.8 million in bills of exchange, invoices to issue and downpayments to suppliers (2016: EUR 19.0 million).

In **2017, other receivables** amounting to EUR 39.3 million relate to (i) VAT receivable (EUR 19.3 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 10.9 million), (iii) prepayments, tax credits and subsidies, and contractual commitments with co-contractors (EUR 9.1 million).

In **2016, other receivables** amounting to EUR 26.8 million relate to (i) VAT receivable (EUR 10.2 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 8.3 million), (iii) prepayments, tax credits and subsidies, and contractual commitments with co-contractors (EUR 8.3 million).

In **2017, other financial assets** (EUR 34.0 million) mainly consist of financial receivables on affiliated companies which are not consolidated (EUR 16.6 million), a receivable of EUR 17.4 million (2016: EUR 24.1 million) relating to the undrawn balance under non-recourse factoring programmes in Belgium, France, Germany, The Netherlands and the United Kingdom which includes residual risks which remain with the affiliated companies involved following their continuing involvement, as well as EUR 0.1 million relating to the revaluation of derivative instruments (currency forward contracts).

In **2016, other financial assets** (EUR 42.8 million) mainly consist of financial receivables on affiliated companies which are not consolidated (EUR 17.0 million), a receivable of EUR 24.1 million (2015: EUR 21.3 million) relating to the undrawn balance under non-recourse factoring programmes in Belgium, France, Germany, The Netherlands and the United Kingdom which includes residual risks which remain with the affiliated companies involved following their continuing involvement, as well as EUR 1.7 million relating to the revaluation of derivative instruments (currency forward contracts).

## Credit risk

The Group's principal current financial assets are cash & cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The risk profile of the trade receivables portfolio is segmented by business line and based on the conditions of sale observed on the market. At the same time, it is confined by the agreed limits of the general conditions of sale and the specifically agreed conditions, adapted accordingly. The latter also depend on the degree of industrial and commercial integration of the customer, as well as on the level of market competitiveness.

The trade receivables portfolio in Flexible Foams, Bedding and Insulation consists of a large number of customers distributed among various markets, for which the credit risk is assessed on an on-going basis and based on which the commercial and financial conditions are granted. In addition, the credit risks on trade receivables, with the exception of Automotive, are mostly

covered by credit insurance policies which the Group manages centrally and harmonises. The credit risk management is also bolstered by the implementation of SAP software modules (FSCM) and best practice processes regarding the collection of receivables.

In Automotive, the credit risks are reasonably concentrated and the Group relies on the solvency ratios allocated by independent rating agencies.

Credit terms granted on sales vary in function of the customer credit assessment, the business line and the country of operations.

There is a limited credit risk assessment on shareholder loans granted to the joint ventures. Shareholder loans to joint ventures are provided in accordance with rules foreseen in the joint venture agreements, which are subject to the evolution of the operational business performance.

## Factoring/Forfeiting

In order to confine credit risks, non-recourse factoring, forfaiting and discounting programmes were established for a total amount of EUR 89.2 million (of which EUR 71.4 million were actually used at 31 December 2017). End 2016 all forfaiting programs were stopped.

		in thousand EUR	
Group Recticel		31 DEC 2017	31 DEC 2016
<b>Factoring without recourse</b>			
Gross amount		71 364	75 098
Retention		(17 414)	(24 147)
<b>Net amount</b>		<b>53 950</b>	<b>50 952</b>
Amount recognized in debt *		751	701
<b>Forfeiting - net amount</b>			
Amount recognized in debt *		0	0

\* included in the current interest-bearing borrowings

The average outstanding amounts from due receivables vary according to business line between 0.5% and 1.5% of total sales. The Group considers that there is no particular risk of non-recovery, although it is necessary to remain vigilant.

The retention figure consists of the part of the receivables which are non-eligible for off-balance sheet treatment and therefore could not be derecognised (default reserve, concentration, rebates and credit notes).

Ageing balance of **trade receivables due**, for which no provision has been recognised:

		in thousand EUR	
Group Recticel		31 DEC 2017	31 DEC 2016
30 days		3 636	5 899
60 days		1 095	1 678
90 days		735	476
120 days		430	190
150 days		19	370
180 days and more		2 331	156
<b>Total overdue</b>		<b>8 247</b>	<b>8 769</b>
Undue receivables		99 604	90 176
<b>Total trade receivables</b>		<b>107 851</b>	<b>98 945</b>

The aging balance of the overdue trade receivables is related to gross trade receivables of EUR 179.2 million (in 2016: EUR 174.0 million). The total trade receivables referred to hereabove exclude the trade receivables transferred under the factoring programs (EUR 71.4 million versus 2016: EUR 75.1 million).

The higher amount of overdues 180 days is explained by a deferred payment by one customer in the Automotive

segment. The situation has been normalised by the payment of these overdues in January 2018.

The higher amount of undue receivables is mainly explained by higher sales resulting from sale price increases due to the higher raw material costs in the last months of 2017.

#### Movement in provisions for **doubtful trade receivables:**

<b>Group Recticel</b>	in thousand EUR	
	<b>31 DEC 2017</b>	<b>31 DEC 2016</b>
<b>At the end of the preceding period</b>	<b>(5 037)</b>	<b>(7 513)</b>
Write off	(282)	(322)
Reversal	585	1 618
Non-recoverable amounts	144	1 052
Reclassification	(76)	37
Exchange differences	105	90
<b>Total at the end of the period</b>	<b>(4 560)</b>	<b>(5 037)</b>

## II.5.10. Cash and cash equivalents

Cash and cash equivalents includes cash held by the Group and short-term bank deposits with an original maturity of three months and less. The carrying amount of these assets approximates to their fair value.

<b>Group Recticel</b>	in thousand EUR	
	<b>31 DEC 2017</b>	<b>31 DEC 2016</b>
Cash at bank & in hand	57 844	37 174
<b>Total cash and cash equivalents</b>	<b>57 844</b>	<b>37 174</b>

## II.5.11. Assets held for sale

In 2017, this item relates to the building in Legutiano (Spain; Flexible Foams).

## II.5.12. Share capital

in thousand EUR		
Group Recticel	31 DEC 2017	31 DEC 2016
<b>Issued shares</b>		
54 776 357 ordinary shares without nominal value (2016: 54 062 520 shares)	136 941	135 156
<b>Fully paid-up shares</b>		
54 776 357 ordinary shares without nominal value (2016: 54 062 520 shares)	136 941	135 156

The change in share capital is explained by the exercise of warrants in 2017.

## II.5.13. Share premium account

in thousand EUR	
Group Recticel	
<b>Balance at 31 December 2016</b>	<b>126 071</b>
Premium arising on issue of equity during 2017 <sup>(1)</sup>	1 911
<b>Balance at 31 December 2017</b>	<b>127 982</b>

<sup>(1)</sup> see II.5.12. hereabove

## II.5.14. Pensions and similar obligations

### Retirement benefit schemes

Several Recticel companies operate defined benefit and/or defined contribution plans.

#### • Defined benefit plans for post-employment benefits

- Total provisions for defined benefit pension plans

Over 99% of the defined benefit obligation is concentrated in five countries: Belgium (40%), United Kingdom (26%), Switzerland (18%), Germany (8%) and France (7%).

Within these five countries Recticel operates funded and unfunded retirement plans. These defined benefit plans typically provide retirement benefits related to remuneration and period of service. The following sections describe the largest retirement plans which make up 84% of the total defined benefit obligations.

in thousand EUR					
31 DEC 2017	DEFINED BENEFIT OBLIGATIONS	ASSETS	FUNDED STATUS	ADJUSTMENT DUE TO ASSET CEILING	NET LIABILITY
Belgium	66 270	44 455	21 815	0	21 815
United Kingdom	42 663	31 215	11 448	0	11 448
Switzerland	28 251	30 755	(2 504)	2 504	0
Other countries	25 904	4 179	21 725	0	21 725
<b>Total</b>	<b>163 088</b>	<b>110 604</b>	<b>52 484</b>	<b>2 504</b>	<b>54 988</b>

## Belgium

The defined benefit and hybrid pension plans in Belgium make up 40% of the total defined benefit obligations. They are funded plans, insured through collective and/or individual group insurance contracts. Only the employer pays contributions to fund the plans. The defined benefit plans are closed for new employees. Most hybrid plans are still open to new employees. The plans function in and comply with a large regulatory framework and comply with the local minimum funding requirements. The plan participants are entitled to a lump sum on retirement at age 65. The pension benefits provided by the plans are related to the employees' salary. Active members also receive a benefit on death-in-service. The assumed form of benefit payment is in all cases a lump sum, but the plans foresee the option to convert to annuity.

## United Kingdom

Recticel sponsors only one defined benefit plan in the United Kingdom, which makes up 26% of the total defined benefit obligation. It is a funded pension plan which is closed to future accrual. The plan is administered via a pension fund which is legally separate from Recticel. The Board of Trustees of the fund is composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits. The plan functions in and complies with the regulatory framework and complies with the local minimum funding requirements. Under the plan, participants are entitled to annual pensions on retirement at age 65 based on the final pensionable salary and the years of service. Members also receive benefits on death.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was carried out as at 01 January 2017 and showed a deficit of GBP 7.4 million. A new recovery plan was agreed in January 2018 to eliminate the shortfall in funding by 31 December 2024. Recticel agreed to pay a total amount of GBP 8.4 million as recovery contributions during the period 1 January 2017 to 31 December 2024. The outstanding amount at 31 December 2017 is GBP 7.6 million.

## Switzerland

Recticel sponsors a hybrid pension plan in Switzerland which makes up 18% of the total defined benefit obligations. Both employer and employees pay contributions to fund the plan. The plan is open to new employees. The plan is administered via a pension fund and a welfare fund which are legally separate from Recticel. The board of Trustees of the pension fund is equally composed of representatives of both the employer and employees, where the board of the welfare fund is composed of employer representatives. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the administration and financing of the benefits. The plan functions in and complies with a large regulatory framework and complies with the local minimum funding requirements. Under the plan, participants are insured against the financial consequences of old age, disability and death.

- Risks associated to defined benefit pension plans

The most significant risks associated with Recticel's defined benefit plans are:

Asset volatility :

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The schemes hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to equities is monitored to ensure it remains appropriate given the long term obligations.

Changes in bond yields :

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be partially offset by an increase in the value of the bond holdings.

Inflation risk :

The benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in some cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy :

Many of the obligations are to provide benefits for the life of the member or take into account member mortality rates, so increases in life expectancy will result in an increase in the liabilities.

Currency risk :

The risk that arises from the change in price of the euro against other currencies.



		in thousand EUR	
Group Recticel		31 DEC 2017	31 DEC 2016
<b>Evolution of the net liability during the year is as follows:</b>			
<b>Net liability at 1 January</b>		<b>51 559</b>	<b>47 563</b>
Expense recognised in the income statement		6 986	5 066
Employer contributions		(7 216)	(6 782)
Transfers between accounts or internal		0	39
Reclassification of hybrid pension plans		0	600
Amount recognised in other comprehensive income		4 082	6 866
Exchange differences		(423)	(1 793)
<b>Net liability at 31 December</b>		<b>54 988</b>	<b>51 559</b>

The reclassification of hybrid pension plans relates to the Belgian and Swiss defined contribution pension plans which are treated as defined benefit plans as from January 1, 2016. The transfer between accounts relates to the Indian gratuity plan which is included in the IAS19 numbers as from January 1, 2016.

		in thousand EUR	
Group Recticel		31 DEC 2017	31 DEC 2016
<b>Pension costs recognised in profit and loss and other comprehensive income:</b>			
Service cost:			
Current service cost		6 754	6 743
Employee contributions		(440)	(558)
Past service cost (including curtailments)		(812)	(2 739)
Cost or gain of settlement		208	244
Administration expenses		364	346
Net interest cost:			
Interest cost		2 646	3 069
Interest income		(1 734)	(2 039)
<b>Pension expense recognised in profit and loss</b>		<b>6 986</b>	<b>5 066</b>
Remeasurements in other comprehensive income			
Return on plan assets (in excess of)/below that recognised in net interest		(2 611)	(11 455)
Actuarial (gains)/losses due to changes in financial assumptions		6 047	13 270
Actuarial (gains)/losses due to changes in demographic assumptions		(920)	1 638
Actuarial (gains)/losses due to experience		(1 067)	3 411
Adjustments due to the asset ceiling, excluding amounts recognised in net interest cost		2 633	2
<b>Total amount recognised in other comprehensive income</b>		<b>4 082</b>	<b>6 866</b>
<b>Total amount recognised in profit and loss and other comprehensive income</b>		<b>11 068</b>	<b>11 932</b>

Amounts for past service costs (including curtailments) and settlements in 2017 are related to the impact of the dismissal of a number of employees in Switzerland.

in thousand EUR

<b>Group Recticel</b>	<b>31 DEC 2017</b>	<b>31 DEC 2016</b>
<b>Amount recorded in the balance sheet in respect of the defined benefit plans are:</b>		
Defined benefit obligations for funded plans	156 109	157 160
Fair value of plan assets	(110 604)	(112 560)
<b>Funded status for funded plans</b>	<b>45 505</b>	<b>44 600</b>
Defined benefit obligations for unfunded plans	6 979	6 957
<b>Total funded status at 31 December</b>	<b>52 484</b>	<b>51 557</b>
<b>Adjustment due to asset ceiling, excluding amounts recognised in net interest cost</b>	<b>2 504</b>	<b>2</b>
<b>Net liabilities at 31 December</b>	<b>54 988</b>	<b>51 559</b>
Current liabilities	941	1 457
Non-current liabilities	54 047	50 102
<b>The key actuarial assumptions used at 31 December (weighted averages) are:</b>		
Discount rate	1.44%	1.67%
Future pension increases	0.77%	0.77%
Expected rate of salary increases	1.76%	1.71%
Inflation	1.71%	1.66%

The mortality assumptions are based on recent mortality tables and the mortality tables of the United Kingdom allow for expected future improvements in mortality rates.

<b>Movement of the plan assets</b>		
Real value of plan assets at 1 January	112 560	57 490
Interest income	1 734	2 039
Employer contributions	7 216	6 782
Employee contributions	440	558
Benefits paid (direct & indirect, including taxes on contributions paid)	(7 241)	(4 471)
Return on assets, excl. interest income	2 611	11 455
Amounts paid in respect to any settlement	(2 487)	(1 656)
Reclassification of hybrid pension plans	0	44 662
Actual administration expenses	(364)	(346)
Exchange differences	(3 865)	(3 953)
<b>Real value of plan assets at 31 December</b>	<b>110 604</b>	<b>112 560</b>

The funded plans' assets are invested in mixed portfolios of shares and bonds, or insurance contracts. The plan assets do not include direct investments in Recticel shares, Recticel bonds or any property used by Recticel companies.

in thousand EUR

<b>Group Recticel</b>	<b>31 DEC 2017</b>	<b>31 DEC 2016</b>
<b>Plan assets portfolio mix at 31 December</b>		
Government bonds (quoted)	13.39%	13.26%
Government bonds (non-quoted)	0.00%	0.00%
Corporate bonds (quoted)	12.91%	13.47%
Corporate bonds (non-quoted)	0.00%	0.00%
Equity (quoted)	15.19%	15.42%
Equity (non-quoted)	0.00%	0.00%
Cash (quoted)	0.40%	0.12%
Cash (non-quoted)	0.00%	0.00%
Property (quoted)	8.56%	9.04%
Property (non-quoted)	0.00%	0.00%
Derivatives (quoted)	0.00%	0.00%
Derivatives (non-quoted)	0.00%	0.00%
Asset backed securities (quoted)	0.00%	0.00%
Asset backed securities (non-quoted)	0.00%	0.00%
Structured debt (quoted)	0.00%	0.00%
Structured debt (non-quoted)	0.00%	0.00%
Other (quoted)	0.00%	0.00%
Other (non-quoted)	5.61%	4.35%
Non unit-linked Insurance contracts (quoted)	0.00%	0.00%
Non unit-linked Insurance contracts (non-quoted)	26.00%	11.52%
Unit-linked Insurance contracts (quoted)	0.00%	0.00%
Unit-linked Insurance contracts (non-quoted)	17.94%	32.82%
Where the unit-linked insurance contracts can be divided in the following asset classes:		
% bonds	71.84%	73.41%
% equity	23.95%	24.47%
% cash	4.21%	2.12%

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
<b>Movement of the defined benefit obligation</b>		
Defined benefit obligation at 1 January	164 117	105 053
Current service cost	6 314	6 185
Employee contributions	440	558
Interest cost	2 646	3 069
Benefits paid (direct & indirect, including taxes on contributions paid)	(7 241)	(4 471)
Actuarial (gains)/losses on liabilities arising from changes in financial assumptions	6 047	13 270
Actuarial (gains)/losses on liabilities arising from changes in demographic assumptions	(920)	1 638
Actuarial (gains)/losses on liabilities arising from experience	(1 067)	3 411
Reclassification of hybrid pension plans	0	45 262
Transfers between accounts or internal	0	39
Past service cost (incl. curtailments)	(812)	(2 739)
Settlement (gains)/losses	(2 279)	(1 412)
Exchange differences	(4 157)	(5 746)
<b>Defined benefit obligation at 31 December</b>	<b>163 088</b>	<b>164 117</b>
<b>Split of the defined benefit obligation per population</b>		
Active members	83 979	75 718
Members with deferred benefit entitlements	32 316	30 293
Pensioners/Beneficiaries	46 793	58 106
<b>Total defined benefit obligation at 31 December</b>	<b>163 088</b>	<b>164 117</b>
<b>Changes in the effect of the asset ceiling during the year</b>		
Asset ceiling at 1 January	2	0
Interest on asset ceiling	0	0
Effect of curtailments and settlements	0	0
Actuarial gains/(losses)	2 633	2
Exchange differences	(131)	0
<b>Asset ceiling at 31 December</b>	<b>2 504</b>	<b>2</b>
<b>Weighted average duration of the defined benefit obligation at 31 December</b>	<b>15</b>	<b>15</b>
<b>Sensitivity of defined benefit obligation to key assumptions at 31 December</b>		
Current defined benefit obligation at 31 December	163 088	164 117
% increase in defined benefit obligation following a 0.25% decrease in the discount rate	3.69%	3.95%
% decrease in defined benefit obligation following a 0.25% increase in the discount rate	-3.49%	-3.71%
% decrease in defined benefit obligation following a 0.25% decrease in the inflation rate	-1.68%	-1.57%
% increase in defined benefit obligation following a 0.25% increase in the inflation rate	1.77%	1.65%

For plans where a full valuation has been performed the sensitivity information shown above is exact and based on the results of this full valuation. For plans where results have been roll forwarded from the last full actuarial valuation, the sensitivity information above is approximate and takes into account the duration of the liabilities and the overall profile of the plan membership.

#### • Defined contributions plans

The total contributions paid by Recticel during the current year amount to EUR 3,466,400 compared to an amount of EUR 3,263,254 last year.

in thousand EUR

Group Recticel	2018
<b>Estimated contributions for the coming year</b>	
Expected employer contributions	6 639

## II.5.15. Provisions

For the year ending 2017

in thousand EUR

Group Recticel	EMPLOYEE BENEFITS	OTHER LITIGATION	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	REORGANISATION	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	TOTAL
<b>At the end of the preceding year</b>	<b>55 147</b>	<b>48</b>	<b>3 002</b>	<b>4 452</b>	<b>2 631</b>	<b>2 097</b>	<b>2 758</b>	<b>70 134</b>
<b>Movements during the year</b>								
Expected returns on assets/actuarial gains (losses) recognized in equity	4 082	0	0	0	0	0	0	<b>4 082</b>
Actualisation	967	0	0	0	0	0	0	<b>967</b>
Increases	6 277	120	411	40	2 815	420	1 736	<b>11 820</b>
Utilisations	(7 461)	(48)	(453)	(619)	(1 562)	(307)	0	<b>(10 450)</b>
Write-backs	(42)	0	(277)	(500)	(355)	(716)	(229)	<b>(2 118)</b>
Transfer from one heading to another	(274)	0	0	0			0	<b>(274)</b>
Exchange rate differences	(423)	0	(3)	0	0	(42)	0	<b>(468)</b>
<b>At year-end</b>	<b>58 274</b>	<b>120</b>	<b>2 681</b>	<b>3 373</b>	<b>3 530</b>	<b>1 453</b>	<b>4 265</b>	<b>73 695</b>
Non-current provisions (more than one year)	54 295	120	2 334	3 152	3 440	956	4 265	<b>68 561</b>
Current provisions (less than one year)	3 978	0	347	221	90	497	0	<b>5 134</b>
<b>Total</b>	<b>58 274</b>	<b>120</b>	<b>2 681</b>	<b>3 373</b>	<b>3 530</b>	<b>1 453</b>	<b>4 265</b>	<b>73 695</b>

The **provisions for employee benefits** have increased by EUR 3.1 million. This variance is mainly explained by actuarial losses due to lower discount rates (EUR +4.1 million), which were partly offset by (i) a write-back resulting for the restructuring in Switzerland (EUR -0.6 million) and (ii) exchange rate differences in the United Kingdom (EUR -0.4 million).

The **provisions for defective products** are mainly related to warranties granted for products in the bedding division. The provisions are generally calculated on the basis of 1% of yearly turnover, which corresponds to the management's best estimate of the risk under 12-month warranties. When historical data are unavailable, the level of the provisions is compared to the yearly effective rate of liabilities, and if necessary, the amount of provision is adjusted.

**Provisions for environmental risks** cover primarily (i) the identified risk at the Tertre (Belgium) site (see section II.6.10.1) and (ii) other pollution risks in Belgium. EUR -0.6 million of this provision has been used in 2017 to cover clean-up costs on the site in Tertre. A reassessment of the obligations towards OVAM for the site in Wetteren (Belgium) lead to a reversal of EUR -0.5 million.

**Provisions for reorganisation** relate to the outstanding balance of expected expenses relating to the closure of the Flexible Foams plants in respectively Noyen-sur-Sarthe (France) and in Buren (The Netherlands), and additional restructuring charges in Bedding (Austria, Germany and Switzerland).

**Provisions for onerous contracts** relate mainly to operational lease agreements. The decrease of EUR -0.5 million is explained by (i) the reversal of the provision for an agreement in Germany (Automotive Interiors) (EUR -0.6 million), (ii) a new provision for The Netherlands (Flexible Foams) (EUR +0.4 million) linked to the announced closure of the site in Buren, and (iii) a reversal of provisions for an agreement in Austria (Bedding) (EUR -0.3 million).

**Provisions for other risks** relate mainly to legal costs and future claim settlements.

For the major risks (i.e. environmental, reorganisation and other risks) the cash outflow is expected to occur within a two years' horizon.

## For the year ending 2016

in thousand EUR

Group Recticel	EMPLOYEE BENEFITS	OTHER LITIGATION	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	REORGANISATION	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	TOTAL
<b>At the end of the preceding year</b>	<b>51 951</b>	<b>60</b>	<b>2 177</b>	<b>5 240</b>	<b>6 747</b>	<b>434</b>	<b>1 413</b>	<b>68 022</b>
<b>Movements during the year</b>								
Expected returns on assets/actuarial gains (losses) recognized in equity	6 867	0	0	0	0	0	0	<b>6 867</b>
Actualisation	1 102	0	0	0	0	0	0	<b>1 102</b>
Increases	5 313	40	1 076	0	1 744	2 165	1 800	<b>12 138</b>
Utilisations	(7 182)	(52)	(123)	(788)	(5 997)	(91)	(400)	<b>(14 634)</b>
Write-backs	(1 071)	0	(114)	0	(10)	0	(55)	<b>(1 249)</b>
Transfer from one heading to another	(38)	0	0	0	151	(420)	0	<b>(307)</b>
Exchange rate differences	(1 796)	0	(15)	0	(4)	10	0	<b>(1 805)</b>
<b>At year-end</b>	<b>55 147</b>	<b>48</b>	<b>3 002</b>	<b>4 452</b>	<b>2 631</b>	<b>2 097</b>	<b>2 758</b>	<b>70 134</b>
Non-current provisions (more than one year)	50 979	48	2 652	4 202	1 948	1 600	2 758	<b>64 187</b>
Current provisions (less than one year)	4 168	0	350	250	683	497	0	<b>5 947</b>
<b>Total</b>	<b>55 147</b>	<b>48</b>	<b>3 002</b>	<b>4 452</b>	<b>2 631</b>	<b>2 097</b>	<b>2 758</b>	<b>70 134</b>

## II.5.16. Interest-bearing borrowings

### II.5.16.1. Interest-bearing borrowings carried at amortised cost

in thousand EUR

Group Recticel	NOTES	NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
		31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
<b>Secured</b>					
Financial leases		18 078	8 683	1 778	3 652
Bank loans		76 160	86 589	0	0
Bank loans - factoring		0	0	751	701
<b>Total secured</b>		<b>94 238</b>	<b>95 272</b>	<b>2 529</b>	<b>4 353</b>
<b>Unsecured</b>					
Bonds & notes		0	0	0	27 269
Other loans		1 842	1 777	260	250
Current bank loans		0	0	3 103	860
Commercial paper		0	0	19 999	0
Bank overdraft		0	0	20 195	10 178
Other financial liabilities	II.5.16.2.	0	0	2 902	7 237
<b>Total unsecured</b>		<b>1 842</b>	<b>1 777</b>	<b>46 459</b>	<b>45 794</b>
<b>Total liabilities carried at amortised cost</b>		<b>96 080</b>	<b>97 049</b>	<b>48 988</b>	<b>50 147</b>

in thousand EUR

Group Recticel	UNUSED CREDIT FACILITIES			
	LONG-TERM		SHORT-TERM	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
<b>Secured*</b>				
Bank loans	78 840	89 118	0	0
<b>Total secured</b>	<b>78 840</b>	<b>89 118</b>	<b>0</b>	<b>0</b>
<b>Unsecured</b>				
Bank loans	0	0	52 298	52 808
<b>Total unsecured</b>	<b>0</b>	<b>0</b>	<b>52 298</b>	<b>52 808</b>
<b>Total liabilities carried at amortised cost</b>	<b>78 840</b>	<b>89 118</b>	<b>52 298</b>	<b>52 808</b>

\* On 31 January 2018 the banks participating in the EUR 175 million 2016-2021 Credit Facility consented with the discharge and release of all securities previously granted.

At the end of 2017, the gross interest-bearing borrowings of the Group amounted to EUR 145.1 million, compared to EUR 147.2 million at the end of 2016, i.e. a decrease of EUR 2.1 million.

In 2017 the Group started a short term commercial paper program (TCN – Titres de Créances Négociables) in France for an amount of EUR 100 million. This TCN-program is used for the financing of day-to-day working capital needs of the Group at very low interest rates.

The use of non-recourse factoring programs amounted to EUR 54.7 million, compared to EUR 51.7 million in 2016.

At the end of 2017, the weighted average lifetime of debts payable after one year was 5.0 years (2016: 4.0 years), the average lifetime increased due to the extension in 2017 of the remaining portion of the sale and lease back for buildings in Belgium and the conclusion of a new financial lease of 15 years for the extension building in Wevelgem (Belgium). The financial leases are at fixed interest rates, except the financial lease for the facility in Bourges, France.

At the end of **2017**, besides the net drawn amounts under the club deal financing agreement (EUR 76.2 million), the Group also benefited from EUR 22.7 million long term loan commitments, of which EUR 2.8 million are maturing within one year. The Group also had at its disposal EUR 78.8 million under the 'club deal' facility and EUR 86.8 million undrawn short term credit facilities ('on balance' (EUR 52.3 million) as well as available 'off balance' amounts under the factoring programs (EUR 34.5 million)).

At the end of **2016**, besides the net drawn amounts under the club deal financing agreement (EUR 86.6 million), the Group also benefited from EUR 42.3 million long term loan commitments, of which EUR 31.2 million are maturing within one year. The Group also had at its disposal EUR 89.1 million under the 'club deal' facility and EUR 84.6 million undrawn short term credit facilities ('on balance' (EUR 52.8 million) as well as available 'off balance' amounts under the factoring programs (EUR 31.8 million)).

Outstandings other than the 'club deal'

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
<b>Long term liabilities</b>		
Financial leases	18 078	8 683
Other loans	1 843	1 777
<b>Subtotal</b>	<b>19 920</b>	<b>10 460</b>
<b>Short term liabilities</b>		
Bonds & Notes	0	27 269
Financial leases	1 778	3 652
Loans - Factoring	751	701
Commercial paper	19 999	0
Other loans	260	250
<b>Subtotal</b>	<b>22 788</b>	<b>31 872</b>
<b>Total</b>	<b>42 708</b>	<b>42 332</b>

The fair value of floating rate borrowings is close to the nominal value. The interest cost for these variable interest rate borrowings ranged from 0.05% to 3.0% p.a. in EUR.

The majority of the Group's financial debt is centrally contracted and managed through Recticel International Services n.v./s.a., which acts as the Group's internal bank.

The borrowings under the 'club deal' are subject to bank covenants based on a leverage ratio, an interest cover and a minimum equity requirement. At end-2017, Recticel complied with all its bank covenants. On the basis of the budget 2018 management expects to be in a position to meet the bank covenants in the coming year.

Under the club deal financing agreement, the maximum dividend authorised for distribution, excluding the portion attributable to the treasury shares, amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.

Reference to II.5.19. Liquidity risk.

#### **(i) Convertible bonds**

The convertible bonds which were issued in July 2007, for a nominal amount of EUR 57.5 million, - of which the Group bought back EUR 11.2 million during 2008, EUR 17.3 million in 2009 and EUR 1.4 million in 2011-, were at maturity (23 July 2017) and without exercising the conversion option, fully reimbursed in cash at par, together with the interest due and not yet paid.

#### **(ii) Financial leases**

This item consists mainly of three leases. The first one finances the Insulation plant in Bourges (France) and has an outstanding amount as of 31 December 2017 of EUR 8.7 million and is at floating rate. The second one for buildings in Belgium, has an outstanding amount as of 31 December 2017 of EUR 2.0 million on the balance sheet and is at a fixed rate. In 2017 a new lease was taken to finance the extension of the Insulation plant in Wevelgem (Belgium). Per 31 December 2017 the outstanding amount of this new lease amounted to EUR 9.1 million.

#### **(iii) Bank loans – “club deal”**

On 09 December 2011, Recticel concluded a new five-year club deal for a multi-currency loan of EUR 175 million. The tenor of this 'club deal' facility – in which 6 European banks are participating - has been extended in February 2016 for another five years. It currently will mature in February 2021.

#### **(iv) Commercial paper program**

In 2017 the Group started a short term commercial paper program (TCN – Titres de Créances Négociables) in France for an amount of EUR 100 million. This TCN-program is used to complement the financing of day-to-day working capital needs of the Group.

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## II.5.16.2. Other financial liabilities

For interest rate swaps reference is made to II.5.19.

		in thousand EUR	
Group Recticel		31 DEC 2017	31 DEC 2016
Interest rate swaps		1 454	3 690
Interests from currency swaps		1	131
Currency forward contracts - financial		79	0
Currency swap contracts		9	316
Transactional hedges - operational		42	1 706
Economic hedges - operational		82	0
<b>Derivatives at fair value</b>		<b>1 667</b>	<b>5 843</b>
Other financial debt		229	389
Interest accruals		1 006	1 004
<b>Total</b>		<b>2 902</b>	<b>7 237</b>

## II.5.17. Obligations under financial leases

		in thousand EUR			
Group Recticel		MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
		31 DEC 2017	31 DEC 2017	31 DEC 2016	31 DEC 2016
Lease payments due within one year		2 068	1 778	3 975	3 652
Between one and five years		14 199	11 877	10 783	8 683
Over five years		6 630	6 201	0	0
<b>Total lease payments</b>		<b>22 897</b>	<b>19 855</b>	<b>14 758</b>	<b>12 335</b>
Future financial charges		(3 042)	-	(2 423)	-
<b>Present value of lease obligations</b>		<b>19 855</b>	<b>19 855</b>	<b>12 335</b>	<b>12 335</b>
Less amounts due for settlement within 12 months		-	(1 778)	-	(3 652)
<b>Amounts due for settlement after 12 months</b>		<b>-</b>	<b>18 078</b>	<b>-</b>	<b>8 683</b>

The financial leases were contracted by the operating affiliates to finance buildings amounting to EUR 19.9 million, with a funding cost ranging from 1.43% p.a. to 3.0% p.a.

## II.5.18. Financial instruments and financial risks

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note II.1.3. to the financial statements.

## Categories of financial instruments

in thousand EUR

Group Recticel	NOTES	31 DEC 2017	31 DEC 2016
<b>Financial assets</b>			
Interest rate swaps designated as cash flow hedge relationship	II.5.9.	0	0
<b>Subtotal interest rate swaps designated as cash flow hedge relationship (b)</b>		<b>0</b>	<b>0</b>
<b>Fair value through profit or loss account ("FVTPL")</b>			
Currency swap contracts		0	475
Transactional hedges - operational		39	1 172
<b>Financial assets at fair value through profit &amp; loss account (b)</b>	II.5.9.	<b>39</b>	<b>1 646</b>
Non-current trade receivables (a)	II.5.6.	0	0
Current trade receivables	II.5.9.	110 936	101 506
<b>Trade receivables (A)</b>		<b>110 936</b>	<b>101 506</b>
Other non-current receivables (a)	II.5.6.	8 100	7 049
Other receivables (b)	II.5.9.	39 330	26 768
<b>Other receivables (B)</b>		<b>47 730</b>	<b>33 817</b>
Loans to affiliates	II.5.6.	4 109	3 883
Other loans	II.5.6.	1 867	2 170
<b>Non current loans (a)</b>		<b>5 976</b>	<b>6 053</b>
Financial receivables (b)	II.5.9.	34 004	41 146
<b>Loans (C)</b>		<b>39 980</b>	<b>47 199</b>
<b>Cash and cash equivalents (D)</b>	I.4. & II.5.10.	<b>57 844</b>	<b>37 174</b>
<b>Total loans &amp; receivables (A+B+C+D)</b>		<b>256 189</b>	<b>219 696</b>
Other investments (available for sale investments)		725	517
<b>Non-current receivables (sum of (a))</b>	I.4. & II.5.6.	<b>14 076</b>	<b>13 102</b>
<b>Other receivables (sum of (b))</b>	I.4. & II.5.9.	<b>73 373</b>	<b>69 560</b>
<b>Financial liabilities</b>			
Interest rate swaps designated as cash flow hedge relationship		1 454	3 690
<b>Subtotal interest rate swaps designated as cash flow hedge relationship (E)</b>		<b>1 454</b>	<b>3 690</b>
Interests from currency swaps		1	131
Currency swap contracts		9	316
Transactional hedges - operational		42	1 706
Economic hedges - operational		82	0
<b>Financial liability at fair value through profit &amp; loss account (F)</b>	II.5.16.	<b>134</b>	<b>2 153</b>
<b>Non current financial liabilities at amortised cost (G)</b>	I.4. & II.5.16.	<b>96 080</b>	<b>97 050</b>
<b>Current financial liabilities at amortised cost (H)</b>	II.5.16.	<b>47 400</b>	<b>44 303</b>
<b>Current financial liabilities (E+F+H)</b>	I.4. & II.5.16.	<b>48 988</b>	<b>50 147</b>
<b>Trade payables (I)</b>	II.5.19.	<b>126 583</b>	<b>102 930</b>
Other non-current payables		230	183
Other payables	II.5.19.	111 276	108 900
<b>Other payables (J)</b>	II.5.16.	<b>111 506</b>	<b>109 082</b>
<b>Total financial liabilities and payables (G+H+I+J)</b>	I.4. & II.5.16.	<b>381 569</b>	<b>353 365</b>

Footnote : Currency swap contracts are taken to hedge (1) financial currency exposure that results from current accounts balances of affiliates towards Recticel International in foreign currency and (2) financial currency exposure that results from long term loans and deposits to/from affiliates in foreign currencies. Transactional hedges are forward currency contracts taken to hedge the currency exposure resulting from the monetary assets and liabilities of affiliates booked in foreign currencies (Balance sheet exposure).

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ending 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Fair value of financial instruments per **31 December 2017**

in thousand EUR

Group Recticel	DESIGNATED IN HEDGE RELATIONSHIP	AT FAIR VALUE THROUGH PROFIT OR LOSS - HELD FOR TRADING	AVAILABLE FOR SALE	LOANS & RECEIVABLES AT AMORTISED COST	FAIR VALUE	FAIR VALUE LEVEL
<b>Financial assets</b>						
Interest rate swaps designated as cash flow hedge relationship	0	0	0	0	0	2
<b>Subtotal interest rate swaps designated as cash flow hedge relationship (b)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
Currency swap contracts	0	39	0	0	39	2
Transactional hedges - operational	0	0	0	0	0	2
<b>Financial assets at fair value through profit &amp; loss account (b)</b>	<b>0</b>	<b>39</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>2</b>
Non-current trade receivables (a)	0	0	0	0	0	2
Current trade receivables	0	0	0	110 935	110 935	2
<b>Trade receivables (A)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>110 935</b>	<b>110 935</b>	<b>2</b>
Other non-current receivables (a)	0	0	0	8 100	8 100	2
Other receivables (b)	0	0	0	39 330	39 330	2
<b>Other receivables (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47 430</b>	<b>47 430</b>	<b>2</b>
Loans to affiliates	0	0	0	4 109	4 109	2
Other loans	0	0	0	1 867	1 867	2
<b>Non current loans (a)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5 976</b>	<b>5 976</b>	<b>2</b>
Financial receivables (b)	0	0	0	34 004	34 004	2
<b>Loans (C)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39 980</b>	<b>39 980</b>	<b>2</b>
<b>Cash and cash equivalents (D)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57 844</b>	<b>57 844</b>	<b>2</b>
<b>Total loans &amp; receivables (A+B+C+D)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>256 189</b>	<b>256 189</b>	
Other investments (available for sale investments)	0	0	725	0	725	3
<b>Non-current receivables (sum of (a))</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14 076</b>	<b>14 076</b>	
<b>Other receivables (sum of (b))</b>	<b>0</b>	<b>39</b>	<b>0</b>	<b>73 334</b>	<b>73 373</b>	
<b>Financial liabilities</b>						
Interest rate swaps designated as cash flow hedge relationship	1 454	0	0	0	1 454	2
<b>Subtotal interest rate swaps designated as cash flow hedge relationship (E)</b>	<b>1 454</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 454</b>	<b>2</b>
Interests from currency swaps	0	1	0	0	1	2
Currency swap contracts	0	9	0	0	9	2
Transactional hedges - operational	0	42	0	0	42	2
Economic hedges - operational	0	82	0	0	82	2
<b>Financial liability at fair value through profit &amp; loss account (F)</b>	<b>0</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>134</b>	<b>2</b>
<b>Non current financial liabilities at amortised cost (G)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96 080</b>	<b>96 080</b>	<b>2</b>
<b>Current financial liabilities at amortised cost (H)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47 400</b>	<b>47 400</b>	<b>2</b>
<b>Current financial liabilities (E+F+H)</b>	<b>1 454</b>	<b>134</b>	<b>0</b>	<b>47 400</b>	<b>48 988</b>	
<b>Trade payables (I)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126 583</b>	<b>126 583</b>	<b>2</b>
Other non-current payables	0	0	0	230	230	2
Other payables	0	0	0	111 276	111 276	2
<b>Other payables (J)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>111 506</b>	<b>111 506</b>	<b>2</b>
<b>Total financial liabilities and payables (G+H+I+J)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>381 569</b>	<b>381 569</b>	

Fair value of financial instruments per 31 December 2016

in thousand EUR

Group Recticel	DESIGNATED IN HEDGE RELATIONSHIP	AT FAIR VALUE THROUGH PROFIT OR LOSS - HELD FOR TRADING	AVAILABLE FOR SALE	LOANS & RECEIVABLES AT AMORTISED COST	FAIR VALUE	FAIR VALUE LEVEL
<b>Financial assets</b>						
Interest rate swaps designated as cash flow hedge relationship	0	0	0	0	0	2
<b>Subtotal interest rate swaps designated as cash flow hedge relationship (b)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
Currency swap contracts	0	475	0	0	475	2
Transactional hedges - operational	0	1 172	0	0	1 172	2
<b>Financial assets at fair value through profit &amp; loss account (b)</b>	<b>0</b>	<b>1 646</b>	<b>0</b>	<b>0</b>	<b>1 646</b>	<b>2</b>
Non-current trade receivables (a)	0	0	0	0	0	2
Current trade receivables	0	0	0	101 506	101 506	2
<b>Trade receivables (A)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>101 506</b>	<b>101 506</b>	<b>2</b>
Other non-current receivables (a)	0	0	0	7 049	7 049	2
Other receivables (b)	0	0	0	26 768	26 768	2
<b>Other receivables (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34 574</b>	<b>34 574</b>	<b>2</b>
Loans to affiliates	0	0	0	3 883	3 883	2
Other loans	0	0	0	2 170	2 170	2
<b>Non current loans (a)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6 053</b>	<b>6 053</b>	<b>2</b>
Financial receivables (b)	0	0	0	41 146	41 146	2
<b>Loans (C)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47 199</b>	<b>47 199</b>	<b>2</b>
<b>Cash and cash equivalents (D)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37 174</b>	<b>37 174</b>	<b>2</b>
<b>Total loans &amp; receivables (A+B+C+D)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>219 696</b>	<b>219 696</b>	
Other investments (available for sale investments)	0	0	517	0	517	3
<b>Non-current receivables (sum of (a))</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13 860</b>	<b>13 860</b>	
<b>Other receivables (sum of (b))</b>	<b>0</b>	<b>1 646</b>	<b>0</b>	<b>67 914</b>	<b>69 560</b>	
<b>Financial liabilities</b>						
Interest rate swaps designated as cash flow hedge relationship	3 690	0	0	0	3 690	2
<b>Subtotal interest rate swaps designated as cash flow hedge relationship (E)</b>	<b>3 690</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3 690</b>	<b>2</b>
Interests from currency swaps	0	131	0	0	131	2
Currency swap contracts	0	316	0	0	316	2
Transactional hedges - operational	0	1 706	0	0	1 706	2
<b>Financial liability at fair value through profit &amp; loss account (F)</b>	<b>0</b>	<b>2 153</b>	<b>0</b>	<b>0</b>	<b>2 153</b>	<b>2</b>
<b>Non current financial liabilities at amortised cost (G)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97 050</b>	<b>97 050</b>	<b>2</b>
<b>Current financial liabilities at amortised cost (H)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44 303</b>	<b>44 303</b>	<b>2</b>
<b>Current financial liabilities (E+F+H)</b>	<b>3 690</b>	<b>2 153</b>	<b>0</b>	<b>44 303</b>	<b>50 147</b>	
<b>Trade payables (I)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102 930</b>	<b>102 930</b>	<b>2</b>
Other non-current payables	0	0	0	183	183	2
Other payables	0	0	0	108 900	108 900	2
<b>Other payables (J)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>109 082</b>	<b>109 082</b>	<b>2</b>
<b>Total financial liabilities and payables (G+H+I+J)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>353 365</b>	<b>353 365</b>	

### Credit risk management

Reference is made to II.5.9. – Trade receivables and other receivables.

### Financial risk management

The Group is managing a portfolio of derivative financial instruments to hedge foreign exchange and interest rate exposures resulting from operational and financial activities. It is the Group's policy not to engage in speculative or leveraged

transactions nor to hold or issue derivative financial instruments for trading purposes.

### Interest rate risk management

Recticel is hedging the interest rate risk linked to its interest-bearing borrowings on a global basis. The main hedging instruments used to convert floating rate debt into fixed rate debt are Interest Rate Swaps (IRS). The amount of fixed rate arrangements in relation to total financial debt is reviewed on an on-going basis by the Finance Committee and adjusted as

and when deemed appropriate. In this, the Finance Committee aims at maintaining an appropriate balance between fixed and floating rate arrangements based on a philosophy of sound spreading of interest rate risks.

In an interest rate swap ("IRS") agreement, the Group undertakes to pay or receive the difference between the amounts of interest at fixed and floating rates on a nominal amount. This type of agreement enables the Group to fix the rate on a portion of its floating rate debt in order to be protected against the risk of higher interest charges on a loan at floating interest rates.

The market value of the portfolio of interest rate swaps on the balance sheet date is the discounted value of the future cash flows from the contract, using the interest rate curves at that date.

The current portfolio of IRS covers a portion of interest-bearing borrowings until February 2018 for EUR 67 million and until October 2019 for EUR 10 million. The total IRS portfolio (EUR 77.0 million) qualifies for hedge accounting under the rules of IAS

39. In addition a deferred starting interest rate swap was concluded for EUR 25 million, starting in February 2018 and maturing in February 2021.

The weighted average life of the IRS portfolio is 0.27 years.

On 31 December 2017, the fair value of the interest rate swaps was estimated at EUR -1.5 million. The revaluation of the IRS portfolio directly impacts the Group equity (and not the profit and loss accounts) since these instruments are benefiting from a hedge accounting treatment based on periodic effectiveness testing validating the fact that those hedges perfectly match characteristics of underlying debt.

A portion of the total financial leases (i.e. EUR 2.0 million) were issued at a fixed rate; most other bank debt is contracted at floating rate. A current portfolio of derivative products provides a global hedge for a total of EUR 77.0 million at 31 December 2017, meaning that total fixed-rate arrangements represent 40% of the total net debt including 'off-balance' factoring.

For **2017**

### 1. Hedge accounting

in thousand EUR						
Group Recticel	AT THE END OF THE PRECEDING PERIOD	PAYMENT OF INTERESTS	FAIR VALUE RECOGNIZED IN EQUITY	INTEREST RECOGNIZED IN INCOME STATEMENT	TRANSFER	AT THE END OF THE CURRENT PERIOD
Interest Rate Swaps (IRS) assets	0	0	0	0	0	0
Interest Rate Swaps (IRS) liabilities	(3 690)	2 414	2 212	(2 390)	0	(1 454)
<b>Net position</b>	<b>(3 690)</b>	<b>2 414</b>	<b>2 212</b>	<b>(2 390)</b>	<b>0</b>	<b>(1 454)</b>

The table does not comprise the deferred tax impact of EUR -0.781 million.

For **2016**

### 1. Hedge accounting

in thousand EUR						
Group Recticel	AT THE END OF THE PRECEDING PERIOD	PAYMENT OF INTERESTS	FAIR VALUE RECOGNIZED IN EQUITY	INTEREST RECOGNIZED IN INCOME STATEMENT	TRANSFER	AT THE END OF THE CURRENT PERIOD
Interest Rate Swaps (IRS) assets	1	(1)	0	0	0	0
Interest Rate Swaps (IRS) liabilities	(5 464)	2 321	1 857	(2 404)	0	(3 690)
<b>Net position</b>	<b>(5 463)</b>	<b>2 320</b>	<b>1 857</b>	<b>(2 404)</b>	<b>0</b>	<b>(3 690)</b>

The table does not comprise the deferred tax impact of EUR -0.631 million.

in thousand EUR							
Group Recticel	OUTSTANDING IRS PORTFOLIO AS OF 31 DEC 2017						
START	MATURITY	RATE	2017	2018	2019	2020	FAIR VALUE AS PER 31 DEC 2017
22/02/13	22/02/18	1.07%	7 000	0	0	0	(48)
22/02/13	22/02/18	3.96%	25 000	0	0	0	(540)
22/02/13	22/02/18	3.80%	12 500	0	0	0	(260)
22/02/13	22/02/18	3.64%	12 500	0	0	0	(250)
22/02/14	22/02/18	1.12%	10 000	0	0	0	(71)
06/10/14	06/10/19	0.48%	10 000	10 000	10 000	10 000	(136)
	<b>Average rate</b>	<b>2.60%</b>	<b>77 000</b>	<b>10 000</b>	<b>10 000</b>	<b>10 000</b>	<b>(1 306)</b>

### Sensitivity on interest rate

The Group's interest rate risk exposure derives from the fact that it finances at both fixed and variable interest rates. The Group manages the risk centrally through an appropriate structure of loans at fixed and variable interest rates and through interest rate swaps (IRS). The interest rate hedges are evaluated regularly to bring them in line with the Group's view on the trend in interest rates on the financial markets, with the aim of optimising interest charges throughout the various economic cycles.

### Equity impact

Had the interest rates yield curve risen by 100 basis points, with all other parameters unchanged, the Group's profit in 2017 would not have been impacted by the change in 'marked-to-market' value of the derivatives. However the reserves in equity would have decreased by EUR -0.1 million as a result of the change in the 'marked-to-market' value of the interest rate swaps concluded to hedge the outstanding debts (compared to EUR +1.2 million in 2016).

Conversely, had the interest rates yield curve fallen by 100 basis points, with all other parameters unchanged, the reserves in equity would have decreased by EUR -0.2 million as a result of the fall in the 'marked-to-market' value of the interest rate swaps concluded to hedge the debts (compared to EUR -1.2 million in 2016).

The sensitivity to interest rate variations decreased in 2017 compared to 2016, due to the effect of a lower modified duration. In 2017 the nominal amount of the portfolio amounted to EUR 77.0 million (2016: EUR 87.0 million).

### Profit and loss impact

Had the interest rates yield curve risen by 100 basis points, with all other parameters unchanged, the Group's profit in 2017 would have decreased by EUR -0.8 million, compared to EUR -0.9 million in 2016.

Conversely, had the interest rates yield curve fallen by 100 basis points, with all other parameters unchanged, the Group's profit in 2017 would have increased by EUR +0.8 million, compared to EUR +0.9 million in 2016.

### Exchange risk management

It is the Group's policy to hedge foreign exchange exposures resulting from financial and operational activities via Recticel International Services s.a./n.v. (RIS), which acts as internal bank of the Group. This hedging policy is mainly implemented through forward exchange contracts. However, hedge accounting under IAS 39 is not applied for exchange risk management.

In general, the Group concludes forward exchange contracts to cover foreign exchange risks on incoming and outgoing payments in foreign currency. The Group also concludes forward exchange contracts and option contracts to cover exchange risks associated with planned sales and purchases of the year, at a percentage which varies according to the predictability of the payment flows.

At balance sheet date, forward exchange contracts were outstanding for a notional value of EUR 91.8 million and with a total fair value of EUR -0.3 million.

### Overview of forward exchange contracts

For 2017:

Group Recticel	in thousand EUR					
	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2017	FAIR VALUE NEGATIVE AT 31 DEC 2017	NET FAIR VALUE AT 31 DEC 2017	RECOGNISED IN THE INCOME STATEMENT OF 2017	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEAR
Forward purchasing contracts less than 6 months	44 924	4	(358)	(355)	(10 111)	6 082
Forward purchasing contracts more than 6 months	0	0	0	0	(2 384)	3 626
Forward sale contracts less than 6 months	28 882	45	(48)	(3)	15 292	(2 092)
Forward sale contracts more than 6 months	17 961	31	(20)	11	2 895	(2 235)
<b>Total forward exchange contracts</b>	<b>91 767</b>	<b>79 <sup>(a)</sup></b>	<b>(426) <sup>(b)</sup></b>	<b>(347)</b>	<b>5 692</b>	<b>5 381</b>

For **2016:**

in thousand EUR						
Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2016	FAIR VALUE NEGATIVE AT 31 DEC 2016	NET FAIR VALUE AT 31 DEC 2016	RECOGNISED IN THE INCOME STATEMENT OF 2016	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEARS
Forward purchasing contracts less than 6 months	73 679	1 820	(316)	1 504	6 082	1 570
Forward purchasing contracts more than 6 months	21 354	98	(386)	(288)	3 626	2 930
Forward sale contracts less than 6 months	88 878	173	(1 551)	(1 378)	(2 092)	(762)
Forward sale contracts more than 6 months	25 913	84	(284)	(200)	(2 235)	48
<b>Total forward exchange contracts</b>	<b>209 824</b>	<b>2 175 <sup>(a)</sup></b>	<b>(2 537) <sup>(b)</sup></b>	<b>(362)</b>	<b>5 381</b>	<b>3 786</b>

For **2017:**

#### Overview of currency swap contracts

in thousand EUR				
Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2017	FAIR VALUE NEGATIVE AT 31 DEC 2017	FAIR VALUE NET AT 31 DEC 2017
Sales / Purchases	0	0	0	0
Purchases / Sales	0	0	0	0
<b>Total currency swap contracts</b>	<b>0</b>	<b>0 <sup>(a)</sup></b>	<b>0 <sup>(b)</sup></b>	<b>0</b>

For **2016:**

in thousand EUR				
Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2016	FAIR VALUE NEGATIVE AT 31 DEC 2016	FAIR VALUE NET AT 31 DEC 2016
Sales / Purchases	98 429	624	(287)	337
Purchases / Sales	34 483	112	(290)	(178)
<b>Total currency swap contracts</b>	<b>132 911</b>	<b>736 <sup>(a)</sup></b>	<b>(577) <sup>(b)</sup></b>	<b>159</b>

in thousand EUR		
Group Recticel	2017	2016
Assets <sup>(sum of (a))</sup>	39	1 172
Liabilities <sup>(sum of (b))</sup>	(42)	(1 706)
<b>Currency forward contracts</b>	<b>(3)</b>	<b>(534)</b>

#### Sensitivity analysis on the foreign exchange risks

The Group deals mainly in 6 currencies outside the euro zone: GBP, USD, CHF, SEK, PLN and CZK.

The following table details the sensitivity of the Group to a positive or negative variation, compared to the annual variation in the pairs of currencies during the previous financial year.

The sensitivity analysis covers only the financial amounts in foreign currency which are recognised in the balance sheet and which are outstanding at 31 December, and determines their variations at the conversion rates based on the following assumptions: USD and GBP 10%; CZK, PLN, CHF and SEK 5%.

The following table details the Group's sensitivity in profit or loss or equity to a respectively 10% increase (or decrease) of the US Dollar and Pound Sterling against the Euro, and 5% increase and decrease of the Czech Crown, Polish Zloty, Swedish Krona and Swiss Franc against the Euro. The percentages applied in this sensitivity analysis represent the management's

assessment of the volatility of these currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10%, respectively 5%, change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. It includes also the foreign exchange derivatives (not designated as hedging instruments).

A positive number indicates an increase in profit or equity when the Euro weakens by respectively 10% against the US Dollar or the Pound Sterling, or 5% against the Czech Crown, Polish Zloty, Swedish Krona or Swiss Franc. For a respectively 10% strengthening of the Euro against the US Dollar or the Pound Sterling, or 5% against the Czech Crown, Polish Zloty, Swedish Krona or Swiss Franc, there would be a comparable opposite impact on the profit or equity (i.e. the impact would be negative).

in thousand EUR

Group Recticel	STRENGTHENING OF USD VERSUS EUR		STRENGTHENING OF GBP VERSUS EUR		STRENGTHENING OF CZK VERSUS EUR		STRENGTHENING OF SEK VERSUS EUR		STRENGTHENING OF CHF VERSUS EUR		STRENGTHENING OF PLN VERSUS EUR	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Historical average variation	10%	10%	10%	10%	5%	5%	5%	5%	5%	5%	5%	5%
Profit or (loss) recognized in the P&L account	289	5 512	3 380	160	2 476	2 020	180	(471)	196	461	554	322
Profit or (loss) recognized in equity	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets *	28 003	61 150	14 879	6 538	152 261	24 171	2 205	2 255	4 311	36 326	6 387	11 623
Financial liabilities *	(39 577)	(70 342)	(37 699)	(40 296)	(66 953)	(28 962)	(5 396)	(7 950)	(7 730)	(34 913)	(5 969)	(3 688)
Derivatives	8 679	64 316	(10 980)	35 358	(35 788)	45 199	(418)	(3 735)	(508)	7 810	10 666	(1 486)
<b>Total net exposure</b>	<b>(2 895)</b>	<b>55 124</b>	<b>(33 800)</b>	<b>1 600</b>	<b>49 520</b>	<b>40 409</b>	<b>(3 609)</b>	<b>(9 429)</b>	<b>(3 927)</b>	<b>9 223</b>	<b>11 084</b>	<b>6 449</b>

\* includes trade and other receivables and trade and other payables.

Financial assets and liabilities represent the foreign currency exposure of the different subsidiaries of the Group in relation to their local currency.

### Liquidity risk

The financing sources are well diversified and the bulk of the debt is irrevocable and long-term. It includes the 5-year club deal concluded on 09 December 2011 for an amount of EUR 175 million, which was extended in February 2016 for a new 5-year period until February 2021. In addition, the Group still holds EUR 12.5 million in other long-term debt.

In addition to these long-term loans, the Group has a diversified range of short-term financing sources, including non-recourse factoring programmes.

The diversified financing structure and the availability of committed unused credit facilities for EUR 86.8 million (2016: EUR 84.6 million) guarantee the necessary liquidity to ensure the future activities and to meet the short- and medium-term financial commitments.

The Group does not enter in financial instruments that require cash deposits or other guarantees (e.g. margin calls).

The club deal financing agreement is subject to bank covenants based on an adjusted leverage ratio, an adjusted interest cover and a minimum equity requirement. At the end of 2017, Recticel complied with all its bank covenants. On the basis of the 2018 budget and the business plan management expects to be in a position to meet its bank covenants in the coming year.

Under the club deal financing agreement, the maximum dividend authorised for distribution, excluding the portion attributable to the treasury shares, amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.



## For the year ending 2017

in thousand EUR

Group Recticel	NOTES	MATURING WITHIN ONE YEAR	MATURING BETWEEN 1 AND 5 YEARS	MATURING AFTER 5 YEARS	TOTAL LONG TERM	FUTURE FINANCIAL CHARGES	CARRYING AMOUNT
Financial leases		2 068	14 199	6 630	<b>22 897</b>	(3 042)	<b>19 855</b>
Bank loans		91	77 091	0	<b>77 182</b>	(1 022)	<b>76 160</b>
Other loans		270	960	1 060	<b>2 290</b>	(187)	<b>2 103</b>
<b>Total Financial liabilities - long term</b>		<b>2 429</b>	<b>92 250</b>	<b>7 690</b>	<b>102 369</b>	<b>(4 251)</b>	<b>98 117</b>
Bank loans		3 103					
Bank loans - factoring with recourse		751					
Commercial paper		19 999					
Bank overdraft		20 195					
Other financial debt		160					
Current accounts & cash pooling		69					
Accrued liabilities - financial short term		699					
Accrued liabilities - commercial paper		1					
<b>Total Financial liabilities - short term (a)</b>		<b>44 977</b>					
Interest rate swaps		1 318	136	0	1 454		
Interest from currency swaps		1	0	0	1		
Currency forward contracts - financial		79	0	0	79		
Currency swap contracts		9	0	0	9		
Transactional hedge - operational		42	0	0	42		
Economic hedge - operational		82	0	0	82		
<b>Derivative instruments at fair value (b)</b>		<b>1 531</b>	<b>136</b>	<b>0</b>	<b>1 667</b>		
<b>Total financial liabilities due within one year</b>		<b>48 936</b>					
Non-current financial liabilities	I.4.	96 080					
Current portion of non-current financial liabilities (b)		2 038					
<b>Total</b>		<b>98 117</b>					
Total financial liabilities - short term (a)		44 977					
Derivative instruments at fair value (b)		1 667					
Current portion of non-current financial liabilities (c)		2 038					
Interest accruals on non-current financial liabilities		307					
<b>Total current financial liabilities</b>	<b>I.4.</b>	<b>48 988</b>					

II.5.16.1.

## For the year ending 2016

in thousand EUR

Group Recticel	NOTES	MATURING WITHIN ONE YEAR	MATURING BETWEEN 1 AND 5 YEARS	MATURING AFTER 5 YEARS	TOTAL LONG TERM	FUTURE FINANCIAL CHARGES	CARRYING AMOUNT
Bonds and notes		28 763	0	0	<b>28 763</b>	(1 494)	<b>27 269</b>
Financial leases		3 975	10 783	0	<b>14 758</b>	(2 423)	<b>12 335</b>
Bank loans		230	88 301	0	<b>88 531</b>	(1 942)	<b>86 589</b>
Other loans		260	905	1 090	<b>2 255</b>	(228)	<b>2 027</b>
<b>Total Financial liabilities - long term</b>		<b>33 228</b>	<b>99 990</b>	<b>1 090</b>	<b>134 307</b>	<b>(6 087)</b>	<b>128 220</b>
Bank loans		860					
Bank loans - forfeiting		0					
Bank loans - factoring with recourse		701					
Bank overdraft		10 178					
Other financial debt		315					
Current accounts & cash pooling		74					
Accrued liabilities - financial short term		22					
<b>Total Financial liabilities - short term (a)</b>		<b>12 150</b>					
Interest rate swaps		63	3 627	0	3 690		
Interest from currency swaps		131			131		
Currency swap contracts		316			316		
Trading/economic hedge		1 706	0	0	1 706		
<b>Derivative instruments at fair value (b)</b>		<b>2 216</b>	<b>3 627</b>	<b>0</b>	<b>5 843</b>		
<b>Total financial liabilities due within one year</b>		<b>47 594</b>					
Non-current financial liabilities	I.4.	97 049					
Current portion of non-current financial liabilities (b)		31 171					
<b>Total</b>		<b>128 220</b>					
Total financial liabilities - short term (a)		12 150					
Derivative instruments at fair value (b)		5 843					
Current portion of non-current financial liabilities (c)		31 171					
Interest accruals on non-current financial liabilities		982					
<b>Total current financial liabilities</b>	<b>I.4.</b>	<b>50 147</b>					

## II.5.19. Trade and other payables

**Trade payables** principally comprise amounts outstanding for trade purchases. Higher trade payables are explained by higher activity levels and raw material price increases in the last quarter of the year.

**Other current amounts payable** increased by EUR 2.4 million and is composed as follows:

Group Recticel	in thousand EUR	
	31 DEC 2017	31 DEC 2016
Other non current liabilities maturing within one year	142	187
VAT payable - local	11 132	4 558
Other tax payables	2 514	2 834
Payroll, social security	36 414	39 762
Dividend payable	283	287
Result transfer (fiscal unit)	13 035	13 063
Other debts	20 297	19 828
Accrued liabilities - operating	20 932	24 046
Deferred income - operating	5 983	4 261
Deferred income - gain on sale and leaseback	545	73
<b>Total</b>	<b>111 276</b>	<b>108 899</b>

## II.5.20. Business combinations and disposals

There were no material business combinations during 2017.

## II.5.21. Capital structure

### Level of debt

At the end of 2017, the consolidated net financial debt, excluding the amounts drawn under the off-balance non-recourse factoring programs, decreased to EUR 87.1 million (end 2016: EUR 108.4 million). Consolidated net financial debt amounted to 33.3% of equity (2016: 43.1%).

Group Recticel	in thousand EUR	
	31 DEC 2017	31 DEC 2016
Cash	(57 844)	(37 174)
Hedging assets	(67)	(1 646)
Hedging liabilities	1 667	5 843
Non current financial liabilities	96 080	97 049
Current portion of non current financial liabilities	2 038	31 171
Current financial liabilities	44 242	12 123
Interest accruals	1 006	1 004
<b>Total net financial debt</b>	<b>87 121</b>	<b>108 370</b>

## II.6. Miscellaneous

### II.6.1. Operating lease arrangements

Operating lease payments represent the sum of non-discounted future rental payments for certain of industrial and/or office properties and for certain production, logistic and /or administrative equipment:

Group Recticel	in thousand EUR	
	31 DEC 2017	31 DEC 2016
Payments due within one year	(23 992)	(22 810)
Between one and five years	(51 630)	(52 006)
Over five years	(32 680)	(25 957)
<b>Minimal future payments</b>	<b>(108 302)</b>	<b>(100 772)</b>

The below table only comprises the recognized lease payments of the financial period.

Group Recticel	in thousand EUR	
	31 DEC 2017	31 DEC 2016
Operating lease - land and buildings	(17 918)	(17 168)
Operating lease - plant, machinery and equipment	(6 482)	(3 507)
Operating lease - furniture	(281)	(294)
Operating lease - vehicles	(6 999)	(7 204)
<b>Total</b>	<b>(31 679)</b>	<b>(28 173)</b>

### II.6.2. Other off-balance sheet items

Group Recticel	in thousand EUR	
	31 DEC 2017	31 DEC 2016
Guarantees given or irrevocably promised by Recticel SA/NV as security for debts and commitments of companies	89 278	82 780

These guarantees include mainly parental corporate guarantees and letters of comfort for commitments contracted by subsidiaries with banks (EUR 57.3 million), lessors (EUR 16.9 million), governmental institutions (EUR 3.1 million) and other third parties (EUR 12.0 million).

In December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a joint credit facility agreement ('club deal') amounting to EUR 175 million, which in February 2016 has been extended for 5 years until February 2021. Under

this club deal and the agreement relating to the subordinated loans, Recticel s.a./n.v. and/or its subsidiaries have granted securities (see II.5.4.) in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs. On 31 January 2018 the banks participating in the EUR 175 million 2016-2021 Credit Facility consented with the discharge and release of all securities previously granted.

### II.6.3. Share-based payments

The Recticel Group has implemented a warrant plan for its leading managers.

The table below gives the overview of all outstanding warrants per 31 December 2017:

ISSUE	NUMBER OF WARRANTS OUTSTANDING	EXERCISE PRICE (IN EUR)	EXERCISE PERIOD <sup>(1)</sup>
May 2007	51 909	8.77	01 Jan 11 - 01 May 18
Dec 2007	465 390	8.20	01 Jan 11 - 02 Dec 18
Dec 2012	58 351	4.15	01 Jan 16 - 20 Dec 18
Apr 2014	358 112	5.64	01 Jan 18 - 28 Apr 20
June 2015	304 000	4.31	01 Jan 19 - 22 Jun 21
April 2016	317 500	5.73	29 Apr 19 - 29 Apr 25
June 2017	410 000	7.00	29 Jun 20 - 29 Jun 24
<b>Total</b>	<b>1 965 262</b>		

<sup>(1)</sup> all warrant plans have a vesting period of 3 years.

All warrants have a vesting period of 3 years. Beneficiaries can lose the right to exercise their warrants in case of voluntary leave or dismissal for misconduct.

The expense recognised for the year for the share-based payments amounts to EUR 0.380 million (2016: EUR 0.168 million).

A more general overview showing the trend during 2017 is given below:

Group Recticel	in units	
	2017	2016
Warrants - end of period (31 Dec)	1 965 262	2 687 944
Weighted average exercise price (in EUR)	6.38	6.15
Outstanding at the beginning of the period	2 687 944	2 701 356
Granted during the period (new)	410 000	317 500
Expired during the period	418 845	0
Exercised during the period	713 837	330 912
Outstanding at the end of the period	1 965 262	2 687 944
Total exercisable at the end of the period	575 650	1 707 752
Total 'in-the-money' at the end of the period	1 447 963	736 703
Total exercisable and 'in-the-money' at the end of the period	58 351	432 703

The warrants outstanding at 31 December 2017 had a weighted average exercise price of EUR 6.38, and a weighted average remaining contractual life of 2.37 years.

The Group follows the transitional provisions prescribed by IFRS 2 (i.e. equity instruments granted after 7 November 2002 and not yet vested on 1 January 2008).

In 2017, 713,837 warrants were exercised at a weighted average exercise price of EUR 4.38. The average closing price of period between which these warrants were exercised (between 31 March 2017 and 30 November 2017) was EUR 7.37 per share. The average daily closing price for the full year 2017 was EUR 7.31 per share. One new warrant plan (410,000 warrants with exercise price of EUR 7.00) was issued in June 2017.

To date, the Group has not issued share appreciation rights to any of its managers or employees, nor has it implemented any share purchase plan.

The theoretical value of the warrants at issuance is calculated by applying the Black & Scholes formula, and taking into account certain assumptions regarding dividend payment (last dividend compared to share price) (dividend yield: 2.60%), interest rate (Euribor 5 years) (0.0001%) and volatility (stock market data on the Recticel share) (23%). For the issue of June 2017 the fair value amounted to EUR 0.928 per warrant.

Overview of the outstanding warrants held by the members of the current Management Committee:

in units	
ISSUE <sup>a</sup>	NUMBER OF WARRANTS HELD BY THE MEMBERS OF THE CURRENT MANAGEMENT COMMITTEE
May 2007	3 580
Dec 2007	55 490
Dec 2012	11 814
Apr 2014	103 222
Jun 2015	110 000
Apr 2016	165 000
Jun 2017	260 000
<b>Total</b>	<b>709 106</b>

<sup>a</sup> the conditions of the various issues are reflected in the global overview table herabove.

Members of the Management Committee received the following warrants for the 2017 series:

Name	TOTAL NUMBER OF WARRANTS	TOTAL THEORETICAL VALUE OF WARRANTS AT ISSUANCE - IN EUR <sup>(1)</sup>
Olivier Chapelle	60 000	55 680
Ralf Becker	25 000	23 200
Betty Bogaert	25 000	23 200
François Desné	25 000	23 200
Jean-Pierre De Kesel	25 000	23 200
Bart Massant	25 000	23 200
Jean-Pierre Mellen	25 000	23 200
Jan Meuleman	25 000	23 200
François Petit	25 000	23 200
Dirk Verbruggen	25 000	23 200

<sup>(1)</sup> The theoretical value is calculated by using a Black & Scholes formula, and taken into account certain hypotheses regarding dividend yield, interest rate and volatility.

## II.6.4. Events after the balance sheet date

There were no material post balance sheet events after 31 December 2017, except the fact that on 31 January 2018 the banks participating in the EUR 175 million 2016-2021 Credit Facility consented with the discharge and release of all securities previously granted.

## II.6.5. Related party transactions

Transactions between Recticel s.a./n.v. and its subsidiaries, which are related parties, have been eliminated in the consolidation and are not disclosed in this note. Transactions with other related parties are disclosed below, and concern primarily commercial transactions done at prevailing market conditions. The tables below include only transactions considered to be material, i.e. exceeding a total of EUR 1 million.

## Transactions with joint ventures and associates: 2017

in thousand EUR							
Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	PURCHASES
Total Orsafoam companies	0	58	916	209	0	146	(155)
Total Eurofoam companies	0	3 013	42	3 235	0	27 600	(22 351)
Total Proseat companies	4 109	4 483	15 994	29	13 035	30 362	0
<b>TOTAL</b>	<b>4 109</b>	<b>7 554</b>	<b>16 952</b>	<b>3 473</b>	<b>13 035</b>	<b>58 108</b>	<b>(22 506)</b>

## Transactions with joint ventures and associates: 2016

in thousand EUR

Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	PURCHASES
Total Orsafoam companies	0	7	1 443	221	0	165	(434)
Total Eurofoam companies	0	2 587	0	3 189	0	23 951	(24 863)
Total Proseat companies	3 883	1 857	15 630	83	13 160	23 566	0
<b>TOTAL</b>	<b>3 883</b>	<b>4 451</b>	<b>17 074</b>	<b>3 492</b>	<b>13 160</b>	<b>47 682</b>	<b>(25 297)</b>

## II.6.6. Remuneration of the Board of Directors and of the Management Committee

The remuneration of the members of the Board of Directors and of the Management Committee is included in this note. For more information, reference is made to the remuneration report in the section 'Corporate Governance' of this annual report.

### Gross remuneration for the members of the Board of Directors : 2017

in EUR

NAME	DIRECTOR'S FEES 2017	ATTENDANCE FEES BOARD 2017	AUDIT COMMITTEE 2017	REMUNERATION AND NOMINATION COMMITTEE 2017	REMUNERATION FOR SPECIAL ASSIGNMENTS 2017	TOTAL (GROSS) 2017
JOHNNY THUIS BVBA	30 000.00	30 000.00	10 000.00	15 000.00	-	85 000.00
OLIVIER CHAPELLE BVBA	15 000.00	15 000.00	-	-	-	30 000.00
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	15 000.00	15 000.00	10 000.00	-	-	40 000.00
COMPAGNIE DU BOIS SAUVAGE SA	15 000.00	15 000.00	-	-	-	30 000.00
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	15 000.00	12 500.00	-	7 500.00	-	35 000.00
IMRADA BVBA	15 000.00	15 000.00	10 000.00	-	-	40 000.00
REVAM BVBA <sup>(1)</sup>	6 222.53	7 500.00	5 000.00	-	-	18 722.53
REVALUE BVBA	15 000.00	15 000.00	20 000.00	7 500.00	-	57 500.00
Kurt PIERLOOT	15 000.00	15 000.00	-	7 500.00	-	37 500.00
Danielle SIOEN	15 000.00	10 000.00	-	-	-	25 000.00
IPGM CONSULTING GmbH <sup>(2)</sup>	8 777.47	10 000.00	-	-	-	18 777.47
<b>TOTAL</b>	<b>165 000.00</b>	<b>160 000.00</b>	<b>55 000.00</b>	<b>37 500.00</b>	<b>0.00</b>	<b>417 500.00</b>

<sup>(1)</sup> end mandate 30 May 2017

<sup>(2)</sup> start mandate 30 May 2017

### Gross remuneration for the members of the Board of Directors : 2016

in EUR

NAME	DIRECTOR'S FEES 2016	ATTENDANCE FEES BOARD 2016	AUDIT COMMITTEE 2016	REMUNERATION AND NOMINATION COMMITTEE 2016	REMUNERATION FOR SPECIAL ASSIGNMENTS 2016	TOTAL (GROSS) 2016
JOHNNY THUIS BVBA	25 900.00	20 000.00	5 550.00	7 400.00	-	58 850.00
OLIVIER CHAPELLE BVBA	12 950.00	10 000.00	-	-	-	22 950.00
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	12 950.00	10 000.00	5 550.00	-	-	28 500.00
COMPAGNIE DU BOIS SAUVAGE SA	11 100.00	10 000.00	1 850.00	-	-	22 950.00
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	11 100.00	10 000.00	-	3 700.00	-	24 800.00
IMRADA BVBA	11 100.00	10 000.00	5 550.00	-	-	26 650.00
REVAM BVBA	12 950.00	10 000.00	7 400.00	-	-	30 350.00
REVALUE BVBA	12 950.00	10 000.00	14 800.00	1 850.00	-	39 600.00
Kurt PIERLOOT	12 950.00	10 000.00	-	3 700.00	-	26 650.00
Danielle ZOETE	7 400.00	5 824.18	-	-	-	13 224.18
MARION DEBRUYNE BVBA	3 700.00	4 175.82	1 850.00	-	-	9 725.82
Patrick VAN CRAEN	5 550.00	4 175.82	-	-	-	9 725.82
Jacqueline ZOETE	5 550.00	4 175.82	-	-	-	9 725.82
<b>TOTAL</b>	<b>146 150.00</b>	<b>118 351.64</b>	<b>42 550.00</b>	<b>16 650.00</b>	<b>0.00</b>	<b>323 701.64</b>

## Gross remuneration for the members of the Management Committee

in EUR

TOTAL COST FOR THE COMPANY	OLIVIER CHAPELLE SPRL REPRESENTED BY OLIVIER CHAPELLE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2017	2016	2017	2016	2017	2016
Number of persons	1	1	10	11	11	12
Fixed remuneration	520 000	500 000	2 612 904	2 295 700	3 132 904	2 795 700
Variable remuneration	354 640	497 250	744 046	1 101 548	1 098 686	1 598 798
<b>Subtotal</b>	<b>874 640</b>	<b>997 250</b>	<b>3 356 950</b>	<b>3 397 248</b>	<b>4 231 590</b>	<b>4 394 498</b>
Pensions	0	0	280 648	192 254	280 648	192 254
Other benefits	26 128	38 328	261 030	230 979	287 158	269 307
<b>Total</b>	<b>900 768</b>	<b>1 035 578</b>	<b>3 898 628</b>	<b>3 820 481</b>	<b>4 799 396</b>	<b>4 856 059</b>

## II.6.7. Exchange rates

in EUR

Group Recticel		CLOSING RATE		AVERAGE RATE	
		2017	2016	2017	2016
Bulgarian Lev	BGN	0.511300	0.511300	0.511300	0.511300
Swiss Franc	CHF	0.854555	0.931185	0.899544	0.917301
Yuan Renminbi	CNY	0.128133	0.136608	0.131079	0.136013
Czech Crown	CZK	0.039162	0.037008	0.037986	0.036990
EURO	EUR	1.000000	1.000000	1.000000	1.000000
Pound Sterling	GBP	1.127103	1.167979	1.140675	1.220281
Forint	HUF	0.003222	0.003228	0.003234	0.003211
Indian Rupee	INR	0.013054	0.013968	0.013599	0.013446
Yen	JPY	0.007407	0.008104	0.007892	0.008320
Moroccan Dirham	MAD	0.091609	0.096544	0.093577	0.094886
Norwegian Krone	NOK	0.101623	0.110056	0.107215	0.107636
Polish Zloty	PLN	0.239406	0.226742	0.234906	0.229189
Romanian Leu (new)	RON	0.214661	0.220313	0.218876	0.222696
Serbian Dinar	RSD	0.008456	0.008104	0.008268	0.008132
Russian Rouble	RUB	0.014411	0.015552	0.015166	0.013487
Swedish Krona	SEK	0.101587	0.104685	0.103787	0.105609
Turkish Lira (NEW)	TRY	0.219954	0.269745	0.242451	0.299110
Ukrainian Hryvnia	UAH	0.030434	0.034980	0.033369	0.035230
US Dollar	USD	0.833820	0.948677	0.885206	0.903421

## II.6.8. Staff

in units

Group Recticel	31 DEC 2017	31 DEC 2016
Management Committee	10	10
Employees	1 970	2 131
Workers	4 698	4 280
<b>Average number of people employed (full time equivalent) on a consolidated basis (i.e. excluding joint ventures)</b>	<b>6 678</b>	<b>6 421</b>
Average number of people employed in Belgium	1 058	1 068
<b>Remuneration and social charges (in thousand EUR)</b>	<b>292 802</b>	<b>276 263</b>

## II.6.9. Audit and non-audit services provided by the statutory auditor

Overview of the audit fees and additional services performed for the Group by the auditor and companies related to the auditor for the year ending 31 December 2017.

Group Recticel	in thousand EUR	
	DELOITTE	OTHERS
Audit fees	867	458
Other legal missions	7	0
Tax services	169	117
Other services rendered related to other assurance reporting	59	0
<b>Total fees in 2017</b>	<b>1 102</b>	<b>575</b>

In the above overview the fees of the joint venture companies are included at 100%.

## II.6.10. Contingent assets and liabilities

### II.6.10.1. Tertre (Belgium)

1. Carbochimique, which was progressively integrated into Recticel in the 1980s and early 1990s, owned industrial site in Tertre (Belgium), where various carbochemical activities in particular had been carried on since 1928. These activities were gradually spun off and sold and are now carried on by different industrial companies, including Yara and Prince Erachem (Eramet group). Finapal, a Recticel subsidiary, retained ownership of some plots on the site, chiefly old dumping sites and settling ponds that have been drained.

In 1986, Recticel sold its "fertilizer" division, in particular the activities of the Tertre site, to Kemira, now acquired by Yara. As part of this agreement, Recticel undertook to set an old basin ("Valcke Basin"), in line with environmental regulations. This requirement has not yet been performed because of the mutual dependence of the environmental conditions within the industrial site in Tertre. Yara has for precautionary reasons sued Recticel pursuant to this obligation in July 2003. A settlement agreement was negotiated and signed by the parties in the course of 2011, which ended the dispute definitively.

Under the settlement agreement Yara and Recticel are committed to prepare together a recovery plan for four contaminated areas of the industrial area in Tertre, including the Valcke Bassin and a dump of Finapal, and for dividing the cost thereof.

This plan was approved in December 2013 by Ministerial Order of the Walloon Government.

The parties have developed in consultation a specification book, which was approved by the authorities. End of December 2015 Ecoterres was appointed as contractor. The works were started on 15 February, 2016. End of the works is expected by end 2019.

2. Following the sale of the entity Sadacem to the French group Comilog, now part of the group Eramet, Recticel committed itself to sanitise, on a shared cost basis, an old industrial waste site on the grounds of Prince Erachem. The start of the execution of this commitment was studied in consultation with the entity Prince Erachem and has been provisioned in the accounts of the Recticel Group. A proposal was submitted to the Office Wallon des Déchets in April 2009 and since been approved.

The implementation of the restructuring plan started in 2013 and runs to date as planned. The clean-up works were completed last year but are still subject to a monitoring phase during 3 years.

The expected costs for these works were provisioned in Recticel's accounts for an amount € 1.89 million as per 31 December 2017.

### II.6.10.2. Litigations

The Group has been the subject of antitrust investigations at European and national level. At European level, Recticel announced on 29 January 2014 that a settlement was reached with the European Commission in the polyurethane foam investigation. The case was closed after payment of the last instalment of the effective overall fine in April 2016. At national level, the Group was involved in several appeals started by competitors after a decision of the Spanish competition authority in 2013. The last Spanish appeal procedure ended in the beginning of 2018, without impact on the position of Recticel. It cannot be excluded that other claims (including class actions claims) based on the same facts, may arise.

Various claims have been issued by one or more customers in the United Kingdom, in which these entities allege harm with regard to the conduct covered by the European Commission's cartel decision. Some procedures have been ended or concluded in the course of 2016 and 2017.



While Recticel believes there to be no harm done, and it is up to the customer to prove any damage incurred, Recticel carefully reviews and evaluates the merits for each case with its legal advisors to determine the appropriate defensive strategy and takes in the relevant cases provisions to cover any legal costs in this regard.

Regarding the on-going litigations no considered judgment can at this stage be formed on the outcome of these procedures or on the amount of any potential loss for the company.

One of our Group entities in the United Kingdom is the subject of a HSE investigation following the accidental death of one of its employees. It cannot be excluded that further procedural steps might be taken by the authorities, leading to prosecution, legal costs and fines.

One of the Group's entities in France is implicated in a labour law case following the closure of a production site, whereby the former employees have launched a claim to obtain additional compensations, on the basis that the economic reasons for the closure were invalid.

One of the Group's entities in the Netherlands has been the object of a labour law claim by temporary workers for compensation putting in question the temporary nature of their employment.

Following the fire incident in Most, the involved Group entity has been temporarily unable to supply the contractually agreed quantities of products, leading to production interruptions at the direct customers and the car manufacturers. While the Group entity involved have claimed Force Majeure in this respect, this has been put in question or even contested by certain customers, with indication that further claims could be raised to obtain damage compensation. While the Group is insured in this regard in line with industrial standards, it cannot be excluded that such claims could lead to financial losses for the group companies involved.

Some years ago Recticel has initiated opposition proceedings against the patent application of a Swiss competitor which had been developed by and has been since many years used by the Group. Recticel's opposition was successful; the patent was revoked. The patent owner has appealed the decision. Recticel is confident that the revocation of the patent will be maintained in appeal.

As of 31 December 2017, total litigation provisions and accruals on Recticel Group level amounted to EUR 8.8 million in the combined financial statements.

## III. Recticel sa/nv - General information

### **Recticel s.a./n.v.**

**Address:** Avenue des Olympiades, 2  
B-1140 Brussels (Evere)

**Established:** on 19 June 1896 for thirty years, later extended for an unlimited duration.

**Object:** (article 3 of the Coordinated Articles) The object of the company is the development, production, conversion, trading, buying, selling and transportation, on its own account or on behalf of third parties, of all plastics, polymers, polyurethanes and other synthetic components, of natural substances, metal products, chemical or other products used by private individuals or by industry, commerce and transport, especially for furniture, bedding, insulation, the construction industry, the automotive sector, chemicals, petrochemicals, as well as products belonging to or necessary for their production or which may result or be derived from this process.

It may achieve its object in whole or in part, directly or indirectly, via subsidiaries, joint ventures, participations in other companies, partnerships or associations.

In order to achieve this object, it can carry out all actions in the industrial, property, financial or commercial field which are associated with its object directly or indirectly, in whole or in part, or which would be of a nature to promote, develop or facilitate its operation or its trade or that of the companies, partnerships or associations in which it has a participation or an interest; it can in particular develop, transfer, acquire, rent, hire out and exploit all movable and immovable goods and all intellectual property.

**Legal form:** naamloze vennootschap / société anonyme (limited company)

### **Recorded in the Brussels register of legal entities**

**Company number:** 405 666 668

**Subscribed capital:** EUR 136 940 892.50 (per 31 December 2017)

**Type and number of shares:** at 31 December 2017 there was only one type of shares, namely ordinary shares (number: 54 776 357)

### **Portion of the subscribed capital still to be paid up:**

0 shares/EUR 0.

**Nature of the shares not fully paid up:** none.

**Percentage fully paid up:** 100%. The shares are all fully paid up.

The accounts were prepared in accordance with requirements specified by the Royal Decree of 30 January 2001.

These annual accounts comprise the balance sheet, the income statement and the notes prescribed by law. They are presented hereafter in condensed form.

In accordance with Belgian law, the management report, the annual accounts of Recticel s.a./n.v. and the report of the Statutory Auditor will be filed with the Belgian National Bank.

They are available on request from:

Recticel s.a./n.v.  
Corporate Communications  
Avenue des Olympiades, 2  
B-1140 Brussels (Evere)

Tel.: +32 (0)2 775 18 11

Fax: +32 (0)2 775 19 90

E-mail: [desmedt.michel@recticel.com](mailto:desmedt.michel@recticel.com)

The notes to the annual accounts are related to the financial situation of the company as shown in the balance sheet. The results are also commented on in the preceding annual report.

The Statutory Auditor has delivered an unqualified opinion on the statutory annual accounts of Recticel s.a./n.v..

The statutory annual accounts of Recticel s.a./n.v., as well as the statutory report by the Board of Directors, are freely available on the company's web site <https://www.recticel.com/investors/annual-half-year-reports.html>.

## IV. Recticel sa/nv - Condensed statutory accounts

		in thousand EUR	
Group Recticel		31 DEC 2017	31 DEC 2016
<b>ASSETS</b>			
<b>FIXED ASSETS</b>		<b>364 447</b>	<b>360 193</b>
I.	Formation expenses	1 622	2 294
II.	Intangible assets	30 614	32 764
III.	Tangible assets	58 838	58 088
IV.	Financial assets	273 372	267 047
<b>CURRENT ASSETS</b>		<b>199 810</b>	<b>178 567</b>
V.	Amounts receivable after one year	12 274	11 778
VI.	Inventories and contracts in progress	23 068	22 951
VII.	Amounts receivable within one year	160 759	140 747
VIII.	Cash investments	1 398	1 398
IX.	Cash	295	305
X.	Deferred charges and accrued income	2 016	1 388
<b>TOTAL ASSETS</b>		<b>564 257</b>	<b>538 761</b>
<b>LIABILITIES</b>			
I.	Capital	136 941	135 156
II.	Share premium account	127 982	126 071
III.	Revaluation surplus	2 551	2 551
IV.	Reserves	13 411	12 096
V.	Profits (losses) brought forward	66 533	53 597
VI.	Investment grants	5	17
VII.	A. Provisions for liabilities and charges	7 822	7 562
	B. Deferred taxes	0	0
VIII.	Amounts payable after one year	54 688	13 883
IX.	Amounts payable within one year	147 318	180 035
X.	Accrued charges and deferred income	7 005	7 793
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>564 257</b>	<b>538 761</b>

		in thousand EUR	
Group Recticel		31 DEC 2017	31 DEC 2016
<b>PROFIT AND LOSS ACCOUNT</b>			
<b>I.</b>	<b>Operating revenues</b>	<b>395 982</b>	<b>369 983</b>
II.	Operating charges	(369 321)	(348 433)
<b>III.</b>	<b>Operating profit (loss)</b>	<b>26 660</b>	<b>21 549</b>
IV.	Financial income	12 156	17 401
V.	Financial charges	(12 481)	(13 893)
<b>VI.</b>	<b>Profit (loss) for the year before taxes</b>	<b>26 336</b>	<b>25 057</b>
VII.	Income taxes	(34)	(51)
<b>VIII.</b>	<b>Profit (loss) for the year after taxes</b>	<b>26 302</b>	<b>25 006</b>
IX.	Transfer to untaxed reserves	0	0
<b>X.</b>	<b>Profit (loss) for the period available for appropriation</b>	<b>26 302</b>	<b>25 006</b>

The statutory annual accounts of Recticel s.a./n.v. as well as the statutory report by the Board of Directors, is freely available on the company's web site [www.recticel.com](http://www.recticel.com).

### Profit appropriation policy

The General Shareholders Meeting decides on the appropriation of the profit available for the distribution of a dividend based upon a proposal by the Board of Directors. The Board of Directors intends to propose to pay out a stable or gradually increasing annual dividend, taking into account the following elements:

- proper compensation for the shareholders
- retention of adequate self-financing capacity to enable investment in value creation opportunities.

The Board of Directors decided to present the following appropriation of the results to the General Meeting:

		in EUR
<b>Group Recticel</b>		
Profit/(Loss) for the financial year		26 302 493.28
Profit/(Loss) brought forward from previous year	+	53 596 622.59
Profit/(Loss) to be added to legal reserves	-	1 315 124.66
Profit/(Loss) to be added to other reserves	-	0.00
<b>Result to be appropriated</b>	<b>=</b>	<b>78 583 991.21</b>
Gross dividend <sup>(1)</sup>	-	12 050 798.54
<b>Profit to be carried forward</b>	<b>=</b>	<b>66 533 192.67</b>

<sup>(1)</sup> Gross dividend per share of EUR 0.22, resulting in a net dividend after tax of EUR 0.154 per ordinary share.

## V. Declaration by responsible officers

Mr Johnny Thijs (Chairman of the Board of Directors), Mr Olivier Chapelle (Chief Executive Officer) and Mr Jean-Pierre Mellen (Chief Financial Officer), declare that:

- the annual accounts, which have been drawn up in accordance with the applicable accounting standards, give a true and fair view of the assets, the financial situation and the results of Recticel and the consolidated companies;
- the report for the 12 months ending on 31 December 2017 gives a true and fair view of the development and the results of the company and of the position of Recticel and the consolidated companies, as well as a description of the principal risks and uncertainties confronting them.

# VI. Auditor's report on the consolidated financial statements for the year ending 31 December 2017

Recticel NV | 31 December 2017

Statutory auditor's report to the shareholders' meeting of Recticel NV for the year ended 31 December 2017

(Consolidated financial statements)

In the context of the statutory audit of the consolidated financial statements of Recticel NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 31 May 2016, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Recticel NV for at least 20 consecutive periods.

## Report on the audit of the consolidated financial statements

### Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 730 162 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 23 913 (000) EUR.

In our opinion, the consolidated financial statements of Recticel NV give a true and fair view of the group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment risk of property, plant and equipment relating to the interiors business</b></p> <p>Due to the nature of the interiors business, significant capital expenditure is involved. Moreover, main investments are linked to a specific car model, resulting in the fact that the recoverability of the investment is depending on the success of the related car model. Due to the unpredictability and the volatility of the produced volumes, there is a risk for impairment if the projects are not generating sufficient cash flows. Total net book value of the property, plant and equipment relating to the interiors business amounts to 60 725 (000) EUR.</p> <p>The Group reviews the carrying amounts of these non-current assets when impairment indicators are present. Estimating the recoverable amount of the assets requires critical management judgement including estimates of future sales, gross margin, discount rate and the assumptions inherent in those estimates.</p> <p>The Group disclosed the nature and the value of the assumptions used in the impairment analyses in II.1.6.1.3.1 of the consolidated financial statements.</p>	<p>We designed our audit procedures to be responsive to this key audit matter. We obtained an understanding of the impairment assessment process and evaluated the design and implementation of the relevant key controls in place.</p> <p>In addition, we obtained management’s impairment tests for the plants/projects where impairment indicators exist, evaluated the reasonableness of estimates and judgments made by management and challenged them. Special focus was given to the key drivers of projected future cash flows, being amongst others estimated gross margin and the applied discount rate.</p> <p>We pinpointed our audit procedures to those plants/projects that were impacted by external events or where the financial performance was substantially deviating from management’s expectations.</p> <p>Auditor’s valuation specialist has been involved to review the reasonableness of the discount rate. Moreover, we examined sensitivity analyses performed over changes in discount rate and gross margin and assessed the adequacy of the company’s disclosure note to the consolidated financial statements.</p>



Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment risk on goodwill relating to the Flexible Foam UK CGU</b></p> <p>The group has 4 048 (000) EUR goodwill allocated to the UK flexible foam cash generating unit. Considering the historical financial performance and the substantial deviation of the expected performance from the budget, we considered the valuation of the goodwill as a key audit matter.</p> <p>The Group reviews the carrying amounts of these non-current assets annually or more frequently when impairment indicators are present, by comparing it to the recoverable amount. Estimating the recoverable amount of the assets requires critical management judgement including estimates of future sales, gross margin, discount rate rate and the assumptions inherent in those estimates.</p> <p>The Group disclosed the nature and the value of the assumptions used in the impairment analyses in note II.1.6.1.1 of the consolidated financial statements.</p>	<p>We designed our audit procedures to be responsive to this key audit matter. We obtained understanding of the impairment assessment process and evaluated the design and implementation of the relevant key controls in place.</p> <p>In addition, we obtained management’s impairment test, evaluated the reasonableness of estimates and judgments made by management and challenged them. Special focus was given to the key drivers of projected future cash flows, being amongst others estimated gross margin and the applied discount rate. We critically assessed the budget, taking into account the historical accuracy of the budgeting process.</p> <p>Auditor’s valuation specialist has been involved to review the reasonableness of the discount rate. Moreover, we examined sensitivity analyses performed over changes in discount rate and gross margin and assessed the adequacy of the company’s disclosure note to the consolidated financial statements.</p>



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Key audit matters	How our audit addressed the key audit matters
<p><b>Provision for EU civil claims</b></p> <p>The group has been the subject of antitrust investigations at European and national level. Although the group reached and paid a settlement with the European Commission in the polyurethane foam investigation, it cannot be excluded that other claims, including class actions claims, based on the same facts may arise.</p> <p>Due to the complexity of the juridical procedures, the unpredictability of the outcome and the significant management's judgements included in assessing the risk of (potential) claims, we determined the completeness of the provisions for these potential litigations to be a key audit matter in our audit.</p> <p>We refer to note II.6.10.2 in the consolidated financial statements.</p>	<p>We obtained an understanding of the process for identification of claims with regard to this matter.</p> <p>We focused on the reasonableness of management's assumptions in determining any provision needed to cover the risk and challenged them.</p> <p>Furthermore, the design and implementation of the management review control has been tested.</p> <p>Moreover, lawyer confirmations have been used to test the completeness of the litigations (if any) and if management's assessment is in line with the information included in those confirmations and we assessed the adequacy of the company's disclosure note to the consolidated financial statements.</p>
<p><b>Recoverability of deferred tax assets</b></p> <p>Per 31 December 2017, the group has deferred tax assets, mainly on tax losses carried forward, amounting to 26 241 (000) EUR. The analysis of the recognition and recoverability of the deferred tax assets is important to our audit because the amounts are material, the assessment process is judgmental and is based on assumptions that are affected by expected future market and economic conditions.</p> <p>Reference is made to note II.1.6.2 in the consolidated financial statements.</p>	<p>As a part of our audit, we discussed tax planning and potential issues relating to valuation of deferred tax assets with management. We tested the design and implementation of the management review control performed on the deferred tax balance.</p> <p>Furthermore, we performed substantive audit procedures on the analysis of the recoverability of the deferred tax assets based on the estimated future taxable income, principally by evaluating and testing the key assumptions used to determine the amounts recognized and by challenging them.</p> <p>In addition to the above, we focused on the deferred tax assets related to the Belgian companies, which have been impacted by of the changed legislation and we assessed the adequacy of the company's disclosure note to the consolidated financial statements.</p>

### **Responsibilities of the board of directors for the consolidated financial statements**

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

### **Responsibilities of the statutory auditor for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

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## **Report on other legal, regulatory and professional requirements**

### **Responsibilities of the board of directors**

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report.

### **Responsibilities of the statutory auditor**

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report, as well as to report on these matters.

### **Aspects regarding the directors' report on the consolidated financial statements and other matters disclosed**

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the annual report on the consolidated financial statements and other information disclosed in the directors' report on the consolidated financial statements, i.e. chapter 1 (with the exception of the report by the board of directors), 2, 3, 4 and 8, is free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement. We do not express any kind of assurance on the annual report.



The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in a separate report that is part of chapter 3 of the annual report. This statement on non-financial information includes all the information required by article 119, § 2 of the Companies Code and is in accordance with the consolidated financial statements for the financial year then ended. The non-financial information has been established by the company in accordance with the GRI Standards. We do however not express any opinion on the question whether this non-financial information has been established, in all material respects, in accordance with this GRI Standards. Furthermore, we do not express any form of assurance conclusion on individual elements that have been disclosed in this non-financial information.

#### Statements regarding independence

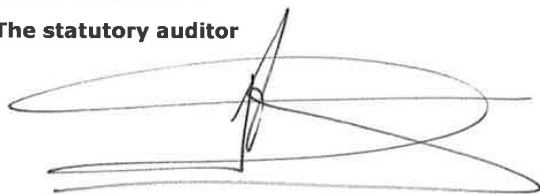
- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

#### Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Ghent, 26 April 2018

#### The statutory auditor



**DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises**

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Kurt Dehoorne

## Deloitte.

Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises  
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /  
Société civile sous forme d'une société coopérative à responsabilité limitée  
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Member of Deloitte Touche Tohmatsu Limited

## VII. Comparable overview of the consolidated financial statements (2008-2017)

in thousand EUR											
Group Recticel	31 DEC 2017	31 DEC 2016	31 DEC 2015	31 DEC 2014	31 DEC 2013	31 DEC 2012	31 DEC 2012	31 DEC 2011	31 DEC 2010	31 DEC 2009	31 DEC 2008
	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	COMBINED	COMBINED	COMBINED	COMBINED	COMBINED
<b>ASSETS</b>											
Intangible assets	12 323	12 104	13 411	12 384	11 954	11 148	13 031	12 580	13 307	14 301	20 104
Goodwill	24 169	25 073	25 888	24 949	24 610	25 113	35 003	34 688	34 365	33 311	39 164
Property, plant & equipment	226 783	216 207	209 681	202 733	204 614	219 180	270 904	255 347	270 979	286 789	336 560
Investment property	3 331	3 331	3 331	3 306	3 330	4 452	4 452	3 331	896	896	896
Interest in associates	76 241	82 389	73 196	73 644	72 507	69 123	13 784	12 957	15 451	15 697	13 626
Other financial investments	64	71	30	160	161	236	240	3 399	1 151	1 999	11 446
Available for sale investments	603	410	1 015	771	275	111	122	121	86	85	197
Non-current receivables	14 804	13 860	13 595	13 373	10 973	10 153	7 664	8 305	10 070	9 605	5 005
Deferred tax	26 241	37 820	43 272	46 834	48 929	49 530	45 520	50 290	55 739	43 365	52 020
<b>Non-current assets</b>	<b>384 559</b>	<b>391 265</b>	<b>383 419</b>	<b>378 154</b>	<b>377 353</b>	<b>389 046</b>	<b>390 720</b>	<b>381 018</b>	<b>402 044</b>	<b>406 048</b>	<b>479 018</b>
Inventories and contracts in progress	99 408	91 900	93 169	96 634	94 027	91 028	116 607	116 002	113 671	105 827	120 035
Trade receivables	110 935	101 506	83 407	78 109	64 516	78 359	114 540	132 910	141 783	142 104	170 117
Other receivables	73 373	69 561	55 327	49 597	46 358	56 528	48 123	39 567	62 285	58 016	60 095
Income tax receivables	1 350	1 441	2 061	504	3 851	3 736	4 345	3 847	3 552	4 367	1 130
Available for sale investments	123	107	91	75	60	45	45	205	181	156	293
Cash and cash equivalents	57 844	37 174	55 967	26 163	26 237	18 533	27 008	54 575	53 938	41 388	68 151
Disposal held for sale	2 570	0	3 209	8 569	0	0	0	0	0	0	0
<b>Current assets</b>	<b>345 603</b>	<b>301 689</b>	<b>293 231</b>	<b>259 651</b>	<b>235 049</b>	<b>248 229</b>	<b>310 668</b>	<b>347 106</b>	<b>375 410</b>	<b>351 858</b>	<b>419 821</b>
<b>Total assets</b>	<b>730 162</b>	<b>692 954</b>	<b>676 650</b>	<b>637 805</b>	<b>612 402</b>	<b>637 275</b>	<b>701 388</b>	<b>728 124</b>	<b>777 454</b>	<b>757 906</b>	<b>898 839</b>

in thousand EUR											
Group Recticel	31 DEC 2017	31 DEC 2016	31 DEC 2015	31 DEC 2014	31 DEC 2013	31 DEC 2012	31 DEC 2012	31 DEC 2011	31 DEC 2010	31 DEC 2009	31 DEC 2008
	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	COMBINED	COMBINED	COMBINED	COMBINED	COMBINED
<b>LIABILITIES</b>											
Capital	136 941	135 156	134 329	74 161	72 368	72 329	72 329	72 329	72 329	72 329	72 329
Share premium	127 982	126 071	125 688	108 568	107 042	107 013	107 013	107 013	107 013	107 013	107 013
<b>Share capital</b>	<b>264 923</b>	<b>261 227</b>	<b>260 017</b>	<b>182 729</b>	<b>179 410</b>	<b>179 342</b>	<b>179 342</b>	<b>179 342</b>	<b>179 342</b>	<b>179 342</b>	<b>179 342</b>
Treasury shares	(1 450)	(1 450)	(1 450)	(1 735)	(1 735)	0	0	0	0	0	0
Retained earnings	18 235	7 425	2 582	1 768	27 364	75 565	95 010	85 191	75 179	67 582	51 222
Hedging and translation reserves	(19 922)	(15 997)	(12 189)	(16 599)	(18 279)	(13 817)	(13 728)	(15 739)	(12 853)	(21 395)	(19 951)
<b>Equity before non-controlling interests</b>	<b>261 786</b>	<b>251 205</b>	<b>248 960</b>	<b>166 163</b>	<b>186 760</b>	<b>241 090</b>	<b>260 624</b>	<b>248 794</b>	<b>241 668</b>	<b>225 529</b>	<b>210 613</b>
Non-controlling interests	0	0	0	0	0	0	0	0	0	429	23 090
<b>Total equity</b>	<b>261 786</b>	<b>251 205</b>	<b>248 960</b>	<b>166 163</b>	<b>186 760</b>	<b>241 090</b>	<b>260 624</b>	<b>248 794</b>	<b>241 668</b>	<b>225 958</b>	<b>233 703</b>
Pensions and similar obligations	54 295	50 979	49 581	54 548	44 557	44 548	28 048	35 289	34 988	37 209	40 155
Provisions	14 266	13 208	11 505	7 301	8 149	9 439	9 798	12 964	24 452	23 008	17 893
Deferred tax	9 113	10 116	9 505	8 907	8 203	7 257	8 554	9 134	8 800	8 187	9 429
<i>Subordinated loans</i>	0	0	0	0	0	0	0	0	0	0	89 014
<i>Bonds and notes</i>	0	0	26 631	26 037	0	25 023	45 023	44 546	39 780	39 368	14 500
<i>Financial leases</i>	18 078	8 683	11 867	15 057	18 113	19 941	20 850	11 024	13 285	15 986	19 346
<i>Bank loans</i>	76 160	86 589	0	99 240	78 850	73 458	74 595	79 534	111 977	128 200	140 161
<i>Other loans</i>	1 842	1 777	1 865	1 801	1 871	2 038	2 039	2 111	2 082	2 201	5 123
<b>Interest-bearing borrowings</b>	<b>96 080</b>	<b>97 049</b>	<b>40 363</b>	<b>142 135</b>	<b>98 834</b>	<b>120 460</b>	<b>142 507</b>	<b>137 215</b>	<b>167 124</b>	<b>185 755</b>	<b>268 144</b>
Other amounts payable	230	183	226	6 810	444	704	501	353	510	359	1 782
<b>Non-current liabilities</b>	<b>173 984</b>	<b>171 535</b>	<b>111 180</b>	<b>219 701</b>	<b>160 187</b>	<b>182 408</b>	<b>189 408</b>	<b>194 955</b>	<b>235 874</b>	<b>254 518</b>	<b>337 403</b>
Pensions and similar obligations	3 978	4 168	2 370	2 205	1 809	1 404	1 529	3 126	3 846	3 893	4 674
Provisions	1 155	1 780	4 566	4 687	6 732	1 255	1 523	6 328	14 480	8 312	8 516
Interest-bearing borrowings	48 988	50 147	114 675	52 798	66 181	36 454	57 840	67 680	45 691	47 740	68 872
Trade payables	126 584	102 929	94 276	96 373	81 720	86 066	104 980	119 274	141 887	114 208	146 993
Income tax payables	2 411	2 291	2 463	414	3 086	2 071	2 281	3 974	7 542	4 712	3 389
Other amounts payable	111 276	108 899	98 160	95 464	105 927	86 527	83 203	83 993	86 466	98 565	95 289
<b>Current liabilities</b>	<b>294 392</b>	<b>270 214</b>	<b>316 510</b>	<b>251 941</b>	<b>265 455</b>	<b>213 777</b>	<b>251 356</b>	<b>284 375</b>	<b>299 912</b>	<b>277 430</b>	<b>327 733</b>
<b>Total liabilities and total equity</b>	<b>730 162</b>	<b>692 954</b>	<b>676 650</b>	<b>637 805</b>	<b>612 402</b>	<b>637 275</b>	<b>701 388</b>	<b>728 124</b>	<b>777 454</b>	<b>757 906</b>	<b>898 839</b>

in thousand EUR

Group Recticel	2017	2016	2015	2014	2013	2012	2012	2011	2010	2009	2008
	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	COMBINED	COMBINED	COMBINED	COMBINED	COMBINED
<b>INCOME STATEMENT</b>											
<b>Sales</b>	<b>1 135 353</b>	<b>1 048 323</b>	<b>1 033 762</b>	<b>983 367</b>	<b>976 763</b>	<b>1 035 050</b>	<b>1 319 488</b>	<b>1 378 122</b>	<b>1 348 430</b>	<b>1 276 662</b>	<b>1 555 450</b>
Distribution costs	(61 952)	(57 855)	(58 039)	(54 135)	(52 934)	(54 460)	(65 838)	(65 182)	(64 768)	(62 061)	(74 528)
Cost of sales	(889 866)	(789 360)	(781 282)	(757 025)	(756 916)	(809 871)	(1 042 700)	(1 101 628)	(1 066 780)	(982 511)	(1 260 090)
<b>Gross profit</b>	<b>183 535</b>	<b>201 108</b>	<b>194 441</b>	<b>172 207</b>	<b>166 913</b>	<b>170 719</b>	<b>210 950</b>	<b>211 312</b>	<b>216 882</b>	<b>232 090</b>	<b>220 832</b>
General and administrative expenses	(78 426)	(79 395)	(76 723)	(72 299)	(74 397)	(66 772)	(83 711)	(85 059)	(80 367)	(82 166)	(90 587)
Sales and marketing expenses	(69 537)	(72 031)	(77 123)	(73 257)	(64 532)	(65 796)	(74 792)	(73 836)	(74 331)	(81 040)	(88 077)
Research and development expenses	(13 724)	(12 890)	(12 537)	(13 277)	(14 177)	(12 940)	(14 899)	(14 820)	(15 794)	(13 941)	(17 006)
Impairments	(7 009)	(1 672)	(983)	(688)	(3 365)	(1 110)	(1 555)	(5 260)	(10 800)	(10 362)	(12 280)
Other operating revenues (expenses)	27 632	(12 828)	(10 714)	(12 869)	(31 766)	2 867	3 033	8 363	(10 075)	31	26 367
Income from associates	2 390	16 927	6 874	8 964	439	6 008	711	1 741	935	1 608	1 899
Income from investments	0	0	0	2	0	0	0	(406)	1 164	7	265
<b>EBIT</b>	<b>44 861</b>	<b>39 219</b>	<b>23 235</b>	<b>8 783</b>	<b>(20 885)</b>	<b>32 976</b>	<b>39 737</b>	<b>42 035</b>	<b>27 614</b>	<b>46 227</b>	<b>41 413</b>
Interest income and expenses	(6 460)	(8 095)	(9 554)	(10 031)	(9 405)	(9 320)	(11 889)	(13 270)	(11 770)	(16 919)	(24 414)
Other financial income and expenses	1 718	(3 633)	(2 968)	(2 799)	(1 940)	(2 271)	(2 450)	(3 414)	(5 325)	3 125	(2 022)
<b>Financial result</b>	<b>(4 742)</b>	<b>(11 728)</b>	<b>(12 522)</b>	<b>(12 830)</b>	<b>(11 345)</b>	<b>(11 591)</b>	<b>(14 339)</b>	<b>(16 684)</b>	<b>(17 095)</b>	<b>(13 794)</b>	<b>(26 436)</b>
<b>Result of the period before taxes</b>	<b>40 119</b>	<b>27 491</b>	<b>10 713</b>	<b>(4 047)</b>	<b>(32 230)</b>	<b>21 385</b>	<b>25 398</b>	<b>25 351</b>	<b>10 519</b>	<b>32 433</b>	<b>14 977</b>
Income taxes	(16 206)	(11 161)	(6 170)	(5 702)	(3 908)	(6 035)	(7 834)	(7 933)	4 108	(12 396)	(10 378)
<b>Result of the period after taxes</b>	<b>23 913</b>	<b>16 330</b>	<b>4 543</b>	<b>(9 749)</b>	<b>(36 138)</b>	<b>15 350</b>	<b>17 564</b>	<b>17 418</b>	<b>14 627</b>	<b>20 037</b>	<b>4 599</b>
Share of minority interests	0	0	0	0	0	0	0	0	(188)	703	6 949
<b>Share of the Group</b>	<b>23 913</b>	<b>16 330</b>	<b>4 543</b>	<b>(9 749)</b>	<b>(36 138)</b>	<b>15 350</b>	<b>17 564</b>	<b>17 418</b>	<b>14 439</b>	<b>20 740</b>	<b>11 548</b>

## VIII. Risk factors and risk management

Assisted in its work by the Audit Committee, the Board of Directors determines the Group's risk management policy, taking the significance of the general corporate risks that it is prepared to accept into account.

Business and management imply dealing with external and internal uncertainties. These uncertainties imply that decisions intrinsically involving potential risks are constantly being taken at all levels. For this reason, and also because a company must be able to achieve its objectives, it is important to outline, assess, quantify and grade corporate risks as precisely as possible. An appropriate, adapted risk management system that can also draw on efficient monitoring mechanisms and best practices must avoid any adverse effects of potential risks on the company and its value or at least control or minimise those effects.

### RISK FACTORS

The items dealt with below are the most relevant risk factors for the Recticel Group, as defined during the assessment process described above.

#### **1. The Group's investment programs are subject to the risk of delays, cost overruns and other complications, and may not achieve the expected returns**

The Group's businesses are, and will continue to be, capital-intensive. A number of its plants have operated for many years, and a large part of the Group's capital expenditures relate to the repair, maintenance and improvement of these existing facilities.

The Group's investments programs in the field of repair, maintenance and improvements of its existing equipment and facilities are subject to the risk of incorrect or inadequate evaluation. As a result, these investment programs may suffer from delays or other complications, and may not achieve the return projected at the beginning of such programs. Furthermore, the Group's actual expenditures may ultimately reveal to be higher than budgeted for various reasons beyond its control. Such cost increases may be material and may have a material adverse effect on its business, financial condition, operating results and cash flows.

#### **2. Price volatility of major chemicals**

As a producer and converter of polyurethane foam and other products, the Group is sensitive to fluctuations in the prices of chemical raw materials, in particular those chemical raw materials used for the production of polyurethane. The main chemical raw materials used by the Group are polyols and isocyanates (TDI and MDI). Although these base materials are petroleum derivatives, and hence follow the evolution of the oil price, their price evolution may differ from that of petroleum products on the global market. Excess volatility of raw materials prices or their scarcity or shortage may have a negative effect on Recticel's results and financial situation.

Chemical raw materials represent, on average, nearly 48% of the cost of sales of the Group's finished products. For certain flexible foam, seating and insulation applications, this share is even higher.

These raw materials are purchased on the open market. The Group has to date not hedged its commodity risk.

The purchase of chemical raw materials is centralised and the relevant central department negotiates the supply contracts. The centralized approach allows better negotiation power and continuous optimisation.

Although the Group monitors raw material price developments and tries to reflect price increases in its sales prices when appropriate, ultimately the extent to which such increased chemical raw material prices can be charged to customers depends on the commercial negotiations with customers and competition on the market. There may be periods of time in which the Group is not able to timely or fully recover increases in the cost of chemical raw materials due to weakness in demand for its products or the actions of its competitors. On the other hand, during periods in which market prices of Group's chemical raw materials fall, the Group may face demands from its customers to reduce its prices or experience falls in demand for its products while customers delay orders in anticipation of price reductions.

### **3. The Group may be subject to the risk of not identifying an M&A opportunity or not being able to afford it**

Making acquisitions are an integral part of the Group's growth strategy. There can be no assurance that any of these transactions will be realised or, if realised, will be beneficial to the Group.

The Group continues to explore additional opportunities to implement its strategy which may require substantial investment and subsequent capital expenditures. To date, the Group has been able to fund its capital investment projects through cash generated from its internal operations and debt financing. If the Group's cash flows were reduced or if it were to make further acquisitions, the Group would need to seek to fund its cash requirements through additional debt and equity financing or through asset divestitures.

### **4. If the Group fails to identify, develop and introduce new products successfully it may lose key customers or product orders and its business could be harmed**

The Group regularly introduces new products, such as Thermoflex® in its Business Line Flexible Foams, the ingredient GELTEX® inside brand in its Business Line Bedding, Lambda 19 Eurowall® Xentro® and Eurofloor Xentro® in its Business Line Insulation and Colo-Sense Lite® in its Business Line Automotive.

The Group competes in industries that are changing and becoming more complex. The Group's ability to make a successful evolution of its existing products to new offerings and differentiation of its products requires that accurate predictions of the product development schedule as well as market demand are made. The process of developing new products is complex and often uncertain due to the frequent introduction of new products by competitors. The Group may anticipate demand and market acceptance that differs from the product's realisable customer demand and revenue stream. Furthermore, in the face of intense industry competition, any unanticipated delay in implementing certain product strategies or in the development, production or marketing of a new product could adversely affect the Group's revenues.

The Group invests constantly in the development of new products. These investments are subject to a number of risks, including: difficulties and delays in the development, production, testing and marketing of products; customer acceptance of products; resources to be devoted to the development of new technology; and the ability to differentiate the Group's products and compete with other companies which are active in the same markets.

The Group's ability to generate future revenue and operating income depends upon, among other factors, its ability to timely develop products that are suitable for manufacturing in a cost effective manner and that meet defined product design, technical and performance specifications.

All of these factors could have a material adverse impact on the Group's business, operations and financial results.

### **5. The Group may be subject to misconduct by its employees and managers or third party contractors**

The Group may be subject to misconduct by its employees and managers or third party contractors, such as theft, bribery, sabotage, violation of laws or other illegal actions and may be exposed to the risk of stoppages by third parties, such as transport companies. Any such misconduct may lead to fines or other penalties, slow-downs in production, increased costs, lost revenues, increased liabilities to third parties, impairment of assets or harmed reputation, any of which may have a material adverse effect on the Group's operations, business and financial results.

The Group has developed various internal initiatives to limit the risk of misconduct of its own employees and managers. These initiatives include the reinforcement of the internal audit function, the setting up of a Compliance Committee whose role is to investigate matters reported to it, as well as the organisation, on a regular basis, of various internal training sessions for employees aimed at increasing awareness on compliance. However, there can be no assurance that such initiatives will result in effectively preventing any misconduct by its employees and managers.

Furthermore, such initiatives are not aimed at third party contractors, as a result of which the Group relies on the third party contractors' capacity to prevent misconduct by their own employees and managers.

### **6. Evaluation of projects and investments**

The Group may be subject to the risk that an innovation project fails and that the innovation investments do not achieve the target to contribute to a sustainable revenue growth or cost effectiveness, including the risk of not having the right human resources to achieve the incremental changes needed to achieve the innovation strategy.



## **7. Failure to obtain the needed chemical raw materials**

The Group has negotiated yearly or multi-year supply agreements with important suppliers to secure more than half of its yearly supplies of isocyanates. The supply of polyols is for a minority share secured under yearly supply agreements. The Group sources its remaining chemical raw materials essentially from suppliers with whom it has a long-term relationship, but with monthly or quarterly price and volume negotiations.

Notwithstanding the existence of long-term supply agreements for certain chemical raw materials, the risk of a delivery disruption of chemical raw materials cannot be excluded. Such delivery disruptions may result from, amongst others, a major accident or incident in a supplier's processing plant, transportation problems or any other fact or circumstance that can give rise to a force majeure situation. In such case, there can be no assurance that the Group can source alternative supplies of chemical raw materials on a timely basis and at acceptable conditions or at all, which could have a material adverse impact on the Group's business, operations and financial results. Neither can it be excluded that a decrease in volumes of raw material procurement (e.g. due to market trends) could have an impact on raw material prices or that it could incite suppliers to end their supplies to the Group, the latter scenario forcing the Group to search for other suppliers, which may not be available on a timely basis or at an acceptable conditions or at all. This could have a material adverse impact on the Group's business, operations and financial results.

## **8. Safety, health and the environment - new regulations and its impacts**

Due to the nature of its activities, the Recticel Group is exposed to environmental risks. The Group uses potentially hazardous products (chemicals and the like) as part of its development activities and manufacturing processes. Pollution can never be ruled out. The Group prevents pollution by adopting appropriate industrial policies. Scenarios precisely outlining the modus operandi for tackling this type of crisis and managing the consequences thereof have been circulated throughout the organisation.

It goes without saying that the handling of these same products constitutes a health risk for staff, customers and any other visitor, particularly in the event of failure to comply with the safety rules issued by Recticel.

Due to new regulations, the Group may face the risk that these new regulations may have a significant negative business impact.

Failure to comply with the various laws and regulations governing the Group's activities is likely to have a negative impact on these activities and invoke its liability.

These activities are particularly subject to various environmental laws and regulations that are likely to expose the Group to major compliance costs or legal proceedings.

The Group further operates in some countries in old industrial sites, already operational at a time when no or insufficient environmental legislation was in place, potentially leading to historic pollution, for which the Group may be held liable leading to important compliance or clean-up costs.

Furthermore, the Group may incur other major costs following the non-fulfilment of its contractual obligations or also in cases where the negotiated contractual provisions in place prove to be insufficient, or even inadequate.

## **9. The risk that the importance of certain stakeholders is underestimated when making strategic decisions**

The Group is exposed to the risk that the importance of certain stakeholders is underestimated when making important strategic decisions for the Group. This could lead to resistance and put at risk the implementation of the strategy.

## **10. Risks relating to not fully analysing the investment decisions**

The Group may face difficulties if investment decisions have not been fully analysed and as such lead to unsuccessful investments not reaching the initial objectives, as well as the risk that investment capacity is absorbed by one business unit, not leaving sufficient investment fund for more profitable investments in other business segments.

## **11. Risks relating to sub-optimal execution of transactions**

The Group is subject to the risk of a suboptimal execution of transactions due to the lack of preparation, communication and/or project management. Although the Group has developed M&A guidelines, there is no assurance that these risks will not materialize, and if so, this might have a material adverse effect on the Group's operations, business and financial results.

## **12. The Group's results may be substantially affected by general macroeconomic trends and the level of activity in its industries**

The Group is exposed to the risks related to an economic recession. Economic factors outside of the Group's control (including slowing economic growth, particularly in Europe where the Group realizes approximately 91% of its consolidated turnover, inflation or deflation or fluctuations in interest and foreign currency exchange rates) could affect the Group's financial results and prospects.

There is a risk that certain markets in which the Group is active will experience economic decline or a prolonged period of negligible growth in the future. The current uncertainty about economic recovery and the pace of growth may negatively affect the level of demand from existing and prospective customers. Additional factors which may influence customer demand include access to credit, budgetary constraints, unemployment rates and consumer confidence.

## **13. Product liability**

The Group produces and sells both semi-finished and finished consumer durable goods (bedding and insulation). In both cases, the Group is exposed to any complaints relating to product liability. Recticel tries to offset or limit these risks by means of product guarantees provided for in the conditions of sale and through the application of a strict quality control system. To protect itself from the adverse effects of product liability, the Group has put in place general and product-specific insurance policies.

## **14. The implementation of the Group's business strategy is dependent on its ability to attract and retain qualified personnel**

The Group's ability to maintain its competitive position and to implement its business strategy will largely depend on its ability to attract and retain skilled personnel and management. The loss or diminution in the services of skilled employees and management, or difficulties in recruiting or retaining them, could have a material adverse effect on the Group's operations, business and financial results. Competition for personnel with relevant expertise is intense due to the relatively small number of qualified individuals, and the Group may have difficulties in obtaining or enforcing non-compete obligations from its skilled personnel and management, all of which may seriously affect the Group's ability to retain existing skilled employees and management and attract additional qualified personnel. If the Group were to experience difficulties in recruiting or retaining qualified personnel, this could have a material adverse effect on the Group's operations, business and financial results.

## **RISK MONITORING**

Operational and industrial risks are usually covered by centrally managed insurance contracts. The conditions governing these contracts are reviewed on a regular basis. Recticel owns a reinsurance subsidiary, whose principal task consists of reinsuring the Group's own risk associated with the excesses that are payable by the Group under external insurance policies.

The risks and uncertainties for which provisions have been raised in accordance with IFRS rules are explained under the heading II.5.15. of the financial section of the annual report. More precisely, these are provisions for litigation, product guarantees, environmental risks and reorganisation charges.

Recticel's Internal Audit Department is involved in implementing control procedures in the broadest sense and ensures that they are complied with. It also plays a major role in the permanent monitoring of corporate risks and contributes to the basic considerations regarding these risks in the Group.

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# 8. Key Figures

	in million EUR				
Group Recticel	2013	2014	2015	2016	2017
<b>Combined income statement</b>					
Sales	1 258.6	1 280.1	1 328.4	1 347.9	1 460.8
REBITDA	72.8	65.9	81.9	97.7	105.5
EBITDA	27.7	49.3	67.8	85.4	94.1
REBIT	33.2	30.7	44.9	58.2	66.5
EBIT	(15.4)	13.4	29.8	44.3	48.1
Result of the period after taxes	(36.1)	(9.7)	4.5	16.3	23.9
<b>Combined profitability ratios</b>					
REBITDA / Sales	5.8%	5.2%	6.2%	7.2%	7.2%
EBITDA / Sales	2.2%	3.9%	5.1%	6.3%	6.4%
REBIT / Sales	2.6%	2.4%	3.4%	4.3%	4.6%
EBIT / Sales	-1.2%	1.0%	2.2%	3.3%	3.3%
Result of the period after taxes (share of the Group) / Sales	-2.9%	-0.8%	0.3%	1.2%	1.6%
<b>Annual growth rates (combined)</b>					
Sales	-4.6%	1.7%	3.8%	1.5%	8.4%
REBITDA	-17.0%	-9.4%	24.2%	19.3%	8.0%
EBITDA	-64.5%	77.9%	37.4%	26.0%	10.2%
REBIT	-30.6%	-7.6%	46.5%	29.6%	14.2%
EBIT	-141.8%	n.r.	122.4%	48.6%	8.6%
Result of the period after taxes (share of the Group)	-336.2%	-73.0%	-146.6%	259.5%	46.4%
in million EUR					
<b>Balance sheet</b>					
Non-current assets	377.4	378.2	383.4	391.3	384.6
Current assets	235.0	259.7	293.2	301.7	345.6
<b>TOTAL ASSETS</b>	<b>612.4</b>	<b>637.8</b>	<b>676.7</b>	<b>693.0</b>	<b>730.2</b>
Total Equity	186.8	166.2	249.0	251.2	261.8
Non-current liabilities	160.2	219.7	111.2	171.5	174.0
Current liabilities	265.5	251.9	316.5	270.2	294.4
<b>TOTAL LIABILITIES</b>	<b>612.4</b>	<b>637.8</b>	<b>676.7</b>	<b>693.0</b>	<b>730.2</b>
Net working capital	18.0	32.6	39.1	50.3	44.8
Market capitalisation (December 31st)	163.0	152.8	300.9	358.4	423.4
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Combined net financial debt	165.1	194.5	123.0	126.0	122.9
<b>ENTERPRISE VALUE</b>	<b>328.1</b>	<b>347.3</b>	<b>423.9</b>	<b>484.4</b>	<b>546.3</b>
<b>Combined Investments versus Combined Depreciation</b>					
Investments in intangible and tangible fixed assets	30.5	35.8	46.5	53.9	68.3
Depreciation (excluding amortisation on goodwill, including impairment)	43.1	36.0	38.0	39.5	39.0
Investments / Sales	2.4%	2.8%	3.5%	4.0%	4.7%
<b>Financial structure ratios</b>					
Net financial debt / Total equity (including non-controlling interests)	88%	117%	49%	50%	47%
Total equity (including non-controlling interests) / Total assets	30%	26%	37%	36%	36%
Leverage (Combined net financial debt/Combined EBITDA)	6.0	3.9	1.8	1.5	1.3
Current ratio	0.9	1.0	0.9	1.1	1.2
<b>Valuation ratios</b>					
Price / Earnings (Market capitalisation (Dec 31st) / Result of the period (Group share))	n.r.	n.r.	66.2	21.9	17.7
Enterprise value / EBITDA	11.8	7.0	6.3	5.7	5.8
Price / Book value (=Market capitalisation/Book value (share of the Group))	0.87	0.92	1.21	1.43	1.62

in million EUR

Group Recticel	2013	2014	2015	2016	2017
<b>Combined sales per business line</b>					
Flexible foams	583.4	593.0	602.3	607.2	626.1
<i>growth rate</i>	-0.8%	1.6%	1.6%	0.8%	3.1%
Bedding	283.0	281.6	294.5	292.9	272.1
<i>growth rate</i>	2.3%	-0.5%	4.6%	-0.5%	-7.1%
Insulation	220.0	227.0	229.4	234.1	272.3
<i>growth rate</i>	-0.3%	3.2%	1.1%	2.1%	16.3%
Automotive	258.4	264.0	280.3	288.9	350.4
<i>growth rate</i>	-10.8%	2.2%	6.2%	3.1%	21.3%
Eliminations	(86.2)	(85.6)	(78.1)	(75.4)	(60.1)
<b>Total sales</b>	<b>1 258.6</b>	<b>1 280.1</b>	<b>1 328.4</b>	<b>1 347.9</b>	<b>1 460.8</b>
<b>growth rate</b>	<b>-4.6%</b>	<b>1.7%</b>	<b>3.8%</b>	<b>1.5%</b>	<b>8.4%</b>

in million EUR

<b>Combined EBITDA per business line</b>					
Flexible foams	(2.4)	25.1	34.0	39.6	30.6
<i>as % of sales</i>	-0.4%	4.2%	5.6%	6.5%	4.9%
Bedding	10.4	2.9	9.5	12.1	14.3
<i>as % of sales</i>	3.7%	1.0%	3.2%	4.1%	5.3%
Insulation	27.6	27.1	33.4	32.9	40.1
<i>as % of sales</i>	12.5%	11.9%	14.6%	14.0%	14.7%
Automotive	10.4	12.5	9.9	18.3	25.0
<i>as % of sales</i>	4.0%	4.7%	3.5%	6.3%	7.1%
Corporate	(18.3)	(18.2)	(19.1)	(17.4)	(16.0)
<b>Total EBITDA</b>	<b>27.7</b>	<b>49.3</b>	<b>67.8</b>	<b>85.4</b>	<b>94.1</b>
<b>as % of sales</b>	<b>2.2%</b>	<b>3.9%</b>	<b>5.1%</b>	<b>6.3%</b>	<b>6.4%</b>

in million EUR

<b>Combined EBIT per business line</b>					
Flexible foams	(16.4)	13.2	21.1	26.5	17.7
<i>as % of sales</i>	-2.8%	2.2%	3.5%	4.4%	2.8%
Bedding	3.8	(3.5)	3.2	5.8	9.6
<i>as % of sales</i>	1.4%	-1.2%	1.1%	2.0%	3.5%
Insulation	21.9	21.1	27.5	26.6	33.5
<i>as % of sales</i>	10.0%	9.3%	12.0%	11.4%	12.3%
Automotive	(5.3)	1.8	(1.9)	4.0	4.1
<i>as % of sales</i>	-2.1%	0.7%	-0.7%	1.4%	1.2%
Corporate	(19.4)	(19.2)	(20.0)	(18.6)	(16.8)
<b>Total EBIT</b>	<b>(15.4)</b>	<b>13.4</b>	<b>29.8</b>	<b>44.3</b>	<b>48.1</b>
<b>as % of sales</b>	<b>-1.2%</b>	<b>1.0%</b>	<b>2.2%</b>	<b>3.3%</b>	<b>3.3%</b>

in units

<b>Key figures per share</b>					
Number of shares (31 December)	28 947 356	29 664 256	53 731 608	54 062 520	54 776 357
Weighted average number of shares outstanding (before dilution)	28 498 521	28 953 478	44 510 623	53 504 432	54 110 396
Weighted average number of shares outstanding (after dilution)	28 498 521	28 953 478	44 704 483	59 643 102	57 941 701

in EUR

Combined REBITDA	2.55	2.28	1.84	1.83	1.95
Combined EBITDA	0.97	1.70	1.52	1.60	1.74
Combined REBIT	1.16	1.06	1.01	1.09	1.23
Combined EBIT	-0.54	0.46	0.67	0.83	0.89
Result of the period (share of the Group) - Basic <sup>(1)</sup>	-1.27	-0.34	0.10	0.31	0.44
Result of the period (share of the Group) - Diluted	-1.27	-0.34	0.10	0.30	0.43
Gross dividend	0.20	0.20	0.14	0.18	0.22
Pay-out ratio	n.r.	n.r.	137%	59%	50%
Net book value (Group share)	6.45	5.60	4.63	4.65	4.78
Price / Earnings ratio <sup>(2)</sup>	n.r.	n.r.	66.2	21.9	17.7

<sup>(1)</sup> calculated on the basis of the weighted average number of shares outstanding (before dilution effect)<sup>(2)</sup> calculated on the basis of the weighted average number of shares outstanding (before dilution effect)

in EUR

<b>Ordinary share</b>					
on 31 December	5.63	5.15	5.60	6.63	7.73
lowest of the year	4.63	4.90	3.88	4.57	6.43
highest of the year	6.82	7.98	5.64	6.63	8.75
average daily volume traded (units)	36 049	43 974	83 737	51 513	70 435

# Colophon

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Dit verslag is beschikbaar in het Nederlands en het Engels.  
Ce rapport est disponible en néerlandais et anglais.  
This report is available in English and Dutch.

You can also download this Annual Report on [www.recticel.com](http://www.recticel.com)

In case of textual contradictions between the English and the Dutch version the first shall prevail.

General Coordination: Michel De Smedt

Thanks to all colleagues who contributed to the realisation of this Annual Report.